



21世紀教育  
21ST CENTURY EDUCATION

CHINA 21ST CENTURY EDUCATION GROUP LIMITED

中國 21 世紀教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 1598



2021  
Interim Report

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## I. CORPORATE PROFILE

China 21st Century Education Group Limited (the “Company”, together with its subsidiaries collectively referred to as the “Group”) (Stock Code: 1598) is the first private education group listed in Hong Kong based in the area of Beijing, Tianjin and Hebei Province. Adhering to the core philosophy of “creating equality by education”, we strive unremittingly to provide clients with customized services of quality education and solutions based on individual demand.

The business of the Group covers vocational education, quality-oriented education and online education, which entail a sound and diversified source of revenue and a broad customer base. Since the founding of its first school in 2003, the Group has established 22 physical schools, including 1 private college (Shijiazhuang Institute of Technology), 6 Saintach Tutorial Schools (consisting of 11 Saintach Tutorial Centers), 2 Peijian Tutorial Schools, 5 Shinedao Tutorial Schools and 8 Saintach Kindergartens. At the same time, it was entrusted with the operation of the west campus of Sifang College.

As a leading education group based in the area of Beijing, Tianjin and Hebei Province, the Group leverages on its physical schools to gradually realize the vertical extension of upstream and downstream operations, with the primary focus on new vocational education and New Gaokao education as its secondary focus of development, to create a first-class platform of education services featuring the philosophy of “helping you throughout your life”. As of 30 June 2021, the Group had a total of 31,316 students, including 17,051 full-time students and 14,265 continuing education students. We have recruited a total of 812 full-time teachers with a view to actively achieve national education strategies such as the integration of industry and education, and endeavor to foster all-rounded talents with high skills for the economic and social transformation so as to continuously enhance the well-being of human society.

## II. CORPORATE INFORMATION

### 1. BOARD OF DIRECTORS

#### 1.1 Executive Directors

Mr. Li Yunong (李雨濃)  
Ms. Liu Hongwei (劉宏煒)  
Mr. Ren Caiyin (任彩銀)  
Ms. Yang Li (楊莉)  
Mr. Li Yasheng (李亞晟)<sup>1</sup>  
Mr. Liu Zhanjie (劉占杰)<sup>2</sup>

#### 1.2 Independent non-executive Directors

Mr. Guo Litian (郭立田)  
Mr. Yao Zhijun (姚志軍)  
Mr. Wan Joseph Jason (尹宸賢)

### 2. AUDIT COMMITTEE

Mr. Yao Zhijun (姚志軍) (chairman)  
Mr. Guo Litian (郭立田)  
Mr. Wan Joseph Jason (尹宸賢)

### 3. REMUNERATION COMMITTEE

Mr. Wan Joseph Jason (尹宸賢)  
(chairman)  
Mr. Guo Litian (郭立田)  
Mr. Li Yasheng (李亞晟)<sup>1</sup>  
Mr. Liu Zhanjie (劉占杰)<sup>2</sup>

### 4. NOMINATION COMMITTEE

Mr. Li Yunong (李雨濃) (chairman)  
Mr. Yao Zhijun (姚志軍)  
Mr. Wan Joseph Jason (尹宸賢)

### 5. AUTHORISED REPRESENTATIVES

Ms. Liu Hongwei (劉宏煒)<sup>1</sup>  
Mr. Liu Zhanjie (劉占杰)<sup>2</sup>  
Mr. Zheng Tieqiu (鄭鐵球)

### 6. JOINT COMPANY SECRETARIES

Mr. Zheng Tieqiu (鄭鐵球)  
Ms. Wong Sau Ping (黃秀萍)

### 7. LEGAL ADVISOR

Jingtian & Gongcheng LLP

### 8. AUDITOR

Ernst & Young  
Certified Public Accountants  
Registered Public Interest Entity  
Auditor

### 9. REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### 10. HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

8th Floor  
Zhongdian Information Building  
No. 356 Zhongshan West Road  
Qiaoxi District  
Shijiazhuang City  
Hebei Province, the PRC

### 11. PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two  
Times Square  
1 Matheson Street  
Causeway Bay, Hong Kong

### 12. CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman)  
Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### 13. HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### 14. PRINCIPAL BANKERS

China Merchants Bank,  
Shijiazhuang Branch  
Bank of Zhangjiakou,  
Shijiazhuang Branch

### 15. COMPANY WEBSITE

[www.21centuryedu.com](http://www.21centuryedu.com)

### 16. STOCK CODE

1598

Notes:

<sup>1</sup> appointed on 31 March 2021

<sup>2</sup> ceased on 31 March 2021

### III. FINANCIAL AND OPERATING HIGHLIGHTS

#### 1. COMPARISON OF KEY FINANCIAL DATA

	For the six months ended 30 June		Changes	Percentage of changes
	2021 (RMB'000)	2020 (RMB'000)		
Revenue	157,999	115,500	42,499	36.8%
Cost of sales	(77,041)	(54,649)	(22,392)	41.0%
Gross profit	80,958	60,851	20,107	33.0%
Gross profit margin	51.2%	52.7%	(1.5%)	(2.8%)
Profit before tax	43,998	36,356	7,642	21.0%
EBITDA	72,690	61,057	11,633	19.1%
Profit for the period	44,156	36,682	7,474	20.4%
Basic earnings per Share (RMB cents)	3.90	3.00	0.90	30.0%

#### 2. SUMMARY OPERATING INFORMATION

	2020 to 2021	2019 to 2020	Changes	Percentage of changes
Total number of students	31,316	33,605	(2,289)	(6.8%)
Including: Full-time <sup>①</sup>	17,051	16,824	227	1.3%
Continuing education <sup>①</sup>	14,265	16,781	(2,516)	(15.0%)
Student capacity <sup>②</sup>	115.1%	117.1%	(2.0%)	(1.7%)
Student retention rate <sup>③</sup>	90.5%	99.7%	(9.2%)	(9.2%)
Total number of teachers <sup>④</sup>	812	729	83	11.4%

Notes:

- <sup>①</sup> Full-time includes junior college students and secondary school students in Shijiazhuang Institute of Technology for vocational education, and students in kindergartens for quality-oriented education. Continuing education refers to part-time students in Shijiazhuang Institute of Technology for vocational education.
- <sup>②</sup> It refers to the capacity of full-time students. The student capacity of Shijiazhuang Institute of Technology as of 30 June 2021 exceeded 100%, was mainly due to its rented beds were not taken into account in the calculation; and that Shijiazhuang Institute of Technology implemented a "2+1" school system, where students at the third grade worked at enterprises as interns and no shortage of student apartments would be resulted, thus a student capacity of over 100% was recorded.
- <sup>③</sup> Retention rate of full-time students.
- <sup>④</sup> The number represents full-time teachers.

# IV. MANAGEMENT DISCUSSION AND ANALYSIS

## 1. BUSINESS REVIEW

### 1.1 Overview

Focusing on the operation and content incubation of the education industry, and adhering to the corporate mission of “promoting the development of the education industry with contents and technologies”, the Company has addressed itself to improving the efficiency and customer experience of education operation by virtue of technologies empowerment. Since the establishment of the first school in 2003, the Company has made notable achievements over the past 20 years to become a comprehensive education group focusing on full-time vocational education and continuing education and supported by quality-oriented education and online education, covering Beijing-Tianjin-Hebei, the Yangtze River Delta, and the Chengdu and Chongqing regions, with diversified revenue streams and a broad customer base.

Considering improving students' abilities as our priority, we are committed to unremittingly providing clients with customized services and solutions based on individual demands. Leveraging on our self-innovated education system and standardized management, we dedicate to offering more friendly and convenient education services to students.

### 1.2 Movements of business operations during the Reporting Period

On 17 April 2021, Zerui Education, the PRC Operating Entity of the Company, and the People's Government of Gaoyi County of Shijiazhuang City of Hebei Province (the “Gaoyi County Government”) have agreed on the cooperation intention with respect to the industry-education integration and synergetic development in Gaoyi County. Accordingly, the Gaoyi County Government intends to provide a site with a planned area of not less than 1,000 acres for integrated higher education development, where a new campus of Shijiazhuang Institute of Technology will be established. The Gaoyi County Government also intends to provide a site with a planned area of approximately 200 acres as the industry-education integration campus, where local high-tech industries and scientific research institutes would be invited to participate and build a local campus that integrates high-tech industries and education for cultivating high calibre and skilled talents.

During the Reporting Period, Shijiazhuang Institute of Technology built a new student apartment, the completion of which has further optimized the living conditions of students while increasing the capacity of the college.

We have started the construction of history hall of Shijiazhuang Institute of Technology, which will be used for holding arts exhibitions for its teachers and students and organizing on-site training programs for students. Not only did the construction of school's history hall provide teaching and training sites and conditions for the arts education institute, but also a wider space for the professional development of the arts education institute.

### 1.3 Our Schools

#### 1.3.1 Overview

As of 30 June 2021, the Company owned 22 schools, including 1 private college under vocational education segment (Shijiazhuang Institute of Technology), 6 Saintach Tutorial Schools under quality-oriented education segment (consisting of 11 Saintach Tutorial Centers), 2 Peijian Tutorial Schools, 5 Shinedao Tutorial Schools and 8 Saintach Kindergartens, and was entrusted with the operation of the west campus of Sifang College.

Schools of the Company	30 June 2021	30 June 2020
<b>Vocational education</b> – College	1	1
<b>Quality-oriented education</b> – Tutorial school	13	13
<b>Quality-oriented education</b> – Kindergarten	8	8
<b>Total</b>	<b>22</b>	<b>22</b>

## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 1.3.2 Student enrollment

As of 30 June 2021, we had 31,316 students enrolled in our schools, including 17,051 full-time students and 14,265 part-time students. The specific data are as follows:

Breakdown of student enrollment	2020–2021 school year	2019–2020 school year	Changes	Percentage of changes
<b>Full-time students</b>				
Vocational education – Shijiazhuang Institute of Technology				
Including: Junior college	12,637	12,556	81	0.6%
Secondary college	2,659	2,537	122	4.8%
<b>Subtotal (full-time college students)</b>	<b>15,296</b>	15,093	203	1.3%
Quality-oriented education – Saintach Kindergartens	1,755	1,731	24	1.4%
<b>Subtotal (full-time students)</b>	<b>17,051</b>	16,824	227	1.3%
<b>Part-time students</b>				
Vocational education – Shijiazhuang Institute of Technology				
Continuing education programs <sup>①</sup>	14,265	16,781	(2,516)	(15.0%)
<b>Subtotal (part-time students)</b>	<b>14,265</b>	16,781	(2,516)	(15.0%)
<b>Total</b>	<b>31,316</b>	33,605	(2,289)	(6.8%)

Note:

<sup>①</sup> The decrease in the number of students in the continuing education programs under vocational education segment for the six months ended 30 June 2021 compared to that for the same period in 2020 was mainly due to the fact that graduates from continuing education in Shijiazhuang Institute of Technology outnumbered the students enrollment during the Reporting Period attributable to the influence from streamlining institutions under the policy of upgrading the qualifications of part-time students.

For the six months ended 30 June 2021, our tutorial centers for cultural education under quality-oriented education delivered approximately 257,271 Tutoring Hours to approximately 5,635 students, with a 62.1% student renewal rate for those who still chose to study after completing the first curriculum. Details are as follows:

Operating information	For the six months ended 30 June			Percentage of changes
	2021	2020	Changes	
<b>Tutorial centers for cultural education under quality-oriented education<sup>①</sup></b>				
Number of Tutoring Hours delivered	257,271	177,196	80,075	45.2%
Number of students tutored <sup>②</sup>	5,635	4,917	718	14.6%
Renewal rate	62.1%	62.4%	(0.3%)	(0.5%)

Notes:

- ① Data of tutorial centers for cultural education under quality-oriented education include Saintach Tutorial Schools, Shinedao Tutorial Schools and Peijian Tutorial Schools.
- ② The growth of the number of students tutored was attributable to the increasing number of students tutored in Shinedao Tutorial Schools and Peijian Tutorial Schools.

As of 30 June 2021, New Gaokao business of Peijian Tutorial Schools provided more than 1,300 students with competition tutoring services and offered school-based services for 20 high schools.

### 1.3.3 Charge and average tuition revenue

As disclosed in the Prospectus, we charge our students fees comprising tuition (including tutoring fees) and, at our Shijiazhuang Institute of Technology under vocational education, boarding fees. Excluding the newly added relevant charges from Peijian Tutorial Schools and Shinedao Tutorial Schools, our fee range approximates to that for the year ended 31 December 2020, whereas the tutoring fees for the secondary college courses at Shijiazhuang Institute of Technology under vocational education segment have changed, as stated in the following table:

Type of course	2020–2021 school year	2019–2020 school year
<b>Vocational education</b>		
Junior college courses	RMB7,000 to RMB13,000 per school year	RMB7,000 to RMB13,000 per school year
Secondary college courses	RMB7,200	RMB6,600

For the six months ended 30 June				
Average Revenue <sup>①</sup>	2021	2020	Changes	Percentage of changes
<b>Vocational education</b>	<b>4,316</b>	3,872	444	11.5%
Including: Junior college	<b>4,585</b>	4,026	559	13.9%
Secondary college	<b>3,102</b>	3,107	(5)	(0.2%)
<b>Kindergartens<sup>②</sup></b>	<b>8,576</b>	1,270	7,306	575.3%

Notes:

- ① The average revenue earned from each full-time student is calculated based on the revenue generated from tuition fees for half a fiscal year and the average number of students enrolled as of the beginning and middle of the same year.
- ② The significant increase in the average revenue from kindergartens was mainly due to lower average revenue as a result of the fact that all kindergartens were closed during the same period in 2020 as affected by “COVID-19” epidemic.



## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 1.3.4 Employment rate

Shijiazhuang Institute of Technology works to build a modern vocational education system, which adopts the “TOP” talent training model (TOP means “Technique-Occupation-Personality”), to continuously cultivate and deliver application-oriented talents for the society. Benefiting from the outstanding professional knowledge, practical operational skills and professionalism of our graduates, Shijiazhuang Institute of Technology has maintained a relatively high level of employment. For the six months ended 30 June 2021, Shijiazhuang Institute of Technology, its teachers and students have won 65 provincial and municipal awards, including various awards such as International College Students Hand-painted Art and Design Competition (國際大學生手繪藝術與設計大賽), Hebei Vocational Students Skills Competition (河北省職業院校技能大賽), the 11th National University Student E-Commerce Challenge on “Innovation, Creativity and Entrepreneurship (第十一屆全國大學生電子商務「創新·創意及創業」挑戰賽).

As of 30 June 2021, the employment rate of our graduates was approximately 95.4%:

Employment rate <sup>①</sup>	30 June 2021	30 June 2020	Changes	Percentage of changes
Vocational education	95.4%	95.3%	0.1%	0.1%

Note:

<sup>①</sup> The employment rate refers to the proportion of employed students to the total number of junior college graduates for the year.

### 1.3.5 Industry-Education Integration and School-Enterprise Cooperation

To fully leverage on the functions of vocational education for serving the society, industries and enterprises, and to explore the vocational education system of diversified education operations, open-minded education, talent lifetime services and integrity monitoring, Shijiazhuang Institute of Technology conducted multi-aspect cooperation in various forms with enterprises to establish a stable relationship of school-enterprise cooperation. As of 30 June 2021, 19 professional programs in Shijiazhuang Institute of Technology have worked with 14 enterprises to jointly offer featured majors, representing 25.7% of professional training programs offered. 19 tailor-made classes were established and 4 on-site training programs were organized involving more than 500 students, with a total of 116 enterprises providing internship programs for the students, including more than 60 top 500 global enterprises such as Country Garden Holdings Company Limited, and inviting enterprises to invest RMB9 million in the construction of practical training rooms, which considerably enriched our teaching practice.

### 1.3.6 Our teachers

Teachers	30 June 2021	30 June 2020	Changes	Percentage of changes
<b>Full-time teachers</b>				
Vocational education <sup>①</sup>	455	379	76	20.1%
Quality-oriented education	357	350	7	2.0%
<b>Subtotal (full-time teachers)</b>	<b>812</b>	729	83	11.4%
<b>Part-time teachers</b>				
Vocational education	74	69	5	7.2%
Quality-oriented education <sup>②</sup>	648	350	298	85.1%
<b>Subtotal (part-time teachers)</b>	<b>722</b>	419	303	72.3%
<b>Total</b>	<b>1,534</b>	1,148	386	33.6%

Notes:

<sup>①</sup> The increase in full-time teachers resulted from the additional majors at Shijiazhuang Institute of Technology.

<sup>②</sup> Peijian Tutorial Schools enlarged the pool for part-time teachers. Given the cyclical nature of the New Gaokao business of Peijian Tutorial Schools, we mainly hired part-time teachers for long-term cooperation.

The quality of education we provide is strongly tied to the quality of our teachers. We prioritize the recruitment of outstanding teachers and strive to maintain the stability of our teachers. As of 30 June 2021, the percentage of our teachers with a bachelor's degree or above was 90.7%; and the percentage of teachers that had worked with us for more than two years was 74.2%.

## 1.4 Our Content and Output

For the six months ended 30 June 2021, our vocational education segment provided the west campus of Sifang College with entrusted operation service and provided services for 3,263 students.

For the six months ended 30 June 2021, the "Pea Sports" (豌豆體育) business under our quality-oriented education segment has served more than 5,000 children in total and we have nearly 20 male community sports coaches with physical education background, which makes us become the largest professional platform for quality-oriented physical education for children aged 3 to 6 in the region. "Captain Pea", a new mini application launched in April 2021, has facilitated online matching and booking and scheduling of classes for the community gymnasium and sport venues, physical education teachers and children. With merely two months, the mini application has attracted 2,333 registered users since its launch, ranking 809th on the aldzs.com (阿拉丁指數). Through a series of community football leagues and basketball leagues, it has significantly raised parents' awareness of the importance on quality-oriented physical education for the children, and demonstrated the positive effects of professional sports training on children's physical fitness, skills and teamwork spirit.

## 1.5 Our Technological Empowerment

Adhering to the corporate mission of "promoting the development of the education industry with contents and technologies", our educational technology is more focused on the layout of vocational education industry empowerment, and the creating of a digital college through the establishment of intelligent campus and the development of data management middle-end platform.

## IV. MANAGEMENT DISCUSSION AND ANALYSIS

Build a “Smart Campus (智慧校園)” system. Through the provision of hardware facilities such as network infrastructure, standard examination venues, broadcast and security, as well as the improving and upgrading of software platforms such as student management system and teaching management system, we will open up a full-scene digital platform of students from admission to graduation and improve the management of schools and students.

Improve the “Sousou Smart School (嗖嗖智校)” system. Establishing a core platform for smart campus to provide full life-cycle management of students such as enrollment management, student registration, financial management, online payment, teaching and related administrative affairs, internship and practical training, and targeted employment. At the same time, it combines with the smart campus network to build knowledge spectrums and behavior models of students to enable schools to serve as the cockpit for big data and personalized vocational education.

“Tianze Talent (天擇人才)” is an integrated platform for employment, entrepreneurship and management services. Catering for students from higher educational institutions and enterprises, it targets positions in industries where there is a shortage of high-skilled talents (such as production, manufacturing and the internet), and facilitates the transformation and upgrade of the talent training model. With an aim of improving the quality of nurturing talent, it is an integrated platform currently with over 1,000 registered enterprises, providing coordinated planning and establishing comprehensive management and services of employment and entrepreneurship education, as well as over 20,000 employment opportunities for graduates.

At the same time, in order to improve the overall operational efficiency of the Group, it has built “Data for Middle Office (數據中台)” and “Digital Signage (數字看板)” to establish a standardized data chain operation system through business process reengineering, digital indicator system and visualization platform construction, and realize real-time target tracking, forecasting and data penetration.

### 1.6 Our Licenses and Honors

As of 30 June 2021, the Company completed the 2020 annual examination and verification of the licenses, permits, approvals and certificates necessary to conduct our operations in all material aspects from the relevant government authorities in the PRC as scheduled, which have remained in full effect.

On 6 January 2021, the Company was invited to participate in the “Capital Market Forum and the 5th Golden Hong Kong Stock Awards Ceremony (資本市場論壇暨第五屆金港股頒獎盛典)” jointly organized by Zhitongcaijing.com and www.10JQKA.com.cn., and won the “Best Education Company (最佳教育公司)” award with its steady growth, increasing comprehensive strength and strong potential for future development in recent years.

On 11 January 2021, the Company was selected as the third batch of members of the Zhongguancun Science City Internet Education Industry Development Alliance (中關村科學城互聯網教育產業發展聯盟). Under the joint advocacy of the Alliance, the Company will continue to provide customers with high-quality education services, promote the self-regulation of the education industry, facilitate the aggregation and sharing of resources, and contribute to the benign development of the industry.

On 15 March 2021, the Company was selected into the online education list of the “Good Life 2021 Chinese Consumer Brand List” (美好生活2021中國消費者品牌榜) initiated by National Business Daily (每日經濟新聞). As a comprehensive education service provider, the Company began to establish a presence in online education services in 2018. It has the capability of independent research and development of educational technology products and regards online education as one of its core strategies. The Company always adheres to the concept of “promoting the development of education industry with content and technology”, and its systematic education service model will continue to boost the organic growth of the industry.

On 12 May 2021, Shijiazhuang Institute of Technology won the provincial-level third prize of “the 10th Vocational Education Teaching Award Prizes in Hebei Province (河北省第十屆職業教育教學成果獎)” organized by Hebei Education Department.

## 2. MARKET REVIEW

### 2.1 Favorable Factors for Vocational Education and Strengthened Cooperation Between Government, School, Industry and Enterprise

In May 2021, the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) was officially promulgated, providing encouragement measures for the vocational education institution, modes of school operation, and the curriculum design. In July 2021, the Vocational Education Law (《職業教育法》) was amended to emphasize the necessity of participation by various parties including the government and enterprises, which highlighted the importance of vocational training and provided directional guidance for the establishment of a vocational education system.

In order to better serve the regional economic development and scale up the skilled talent pool, the schools under the Company completed their basic teaching and research tasks, besides actively working hand in hand with the local governments, industry associations and key enterprises. In the first half of 2021, we took in charge of the compiling of “Shijiazhuang Luquan District Science and Technology Innovation ‘14th Five-Year Plan’” and was approved as a government research project by Shijiazhuang Science and Technology Bureau.

The schools under the Company continued to improve the quality of training, strived for offering comprehensive major courses, encouraged their teachers to acquire higher academic qualifications, and strengthened their teaching and research capabilities. At the same time, it actively undertook the task for improving the training quality of provincial vocational education in which they are located, and was approved as a “Double-High” construction college of the plan for improving the training quality of Hebei province vocational education (2020-2023) during the first half of 2021.

At the same time, the schools under the Company adhered to the principle of giving equal emphasis to academic education and vocational training in vocational colleges, actively participated in the vocational skills improvement initiatives raised by the local governments and, as part of the community vocational training system, served as designated local vocational training institutions, and conducted government vocational education and social training for 2,750 people. Insisting on improving the conventional school-enterprise cooperation mode and participating in the new apprenticeship training pilot program, we have provided new modern apprenticeship trainings for 8 enterprises with 600 participants. Leveraging on their own strengths, the schools under the Company actively expanded their vocational training-related businesses by strengthening their cooperation with the government, school, industry and enterprise, injecting new growth momentum to the Company.

### 2.2 Tighter Regulation in Compulsory Education Means Room for the Growth of Quality-oriented Education

In the first half of 2021, a number of policies targeting compulsory education and after-school tutoring were issued. In May 2021, the Implementation Rules for the Law for Promoting Private Education of the PRC was promulgated to impose restriction on the provision, participation, control and connected transactions of compulsory education. Establishment of private-operated schools for compulsory education was even forced to stop in some provinces. In June 2021, the Ministry of Education established the Department for the Supervision of Off-campus Education, followed by the issue of “Notice on Relevant Innovative Measures and Typical Experience for the Promotion of Some After-School Services for Local Compulsory Education” (《關於推廣部分地方義務教育課後服務有關創新舉措和典型經驗的通知》). All these demonstrated its determination to enforce strict regulation on after-school tutorial institutions. In July 2021, the General Office of the CPC Central Committee and the General Office of the State Council issued the Opinions on Further Reducing the Burden of Compulsory Education Students’ Homework and Off-campus Tutoring (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) (the “Double Reduction Opinions”), which aims to regulate the institutions providing tutoring service on school curriculum. It explicitly sets out the objective of conscientiously improving the education standard of schools, regulating off-campus tutoring (both online and offline) on an ongoing basis, and reducing the excessive burden of homework and off-campus tutoring on students during the stage of compulsory education.

## IV. MANAGEMENT DISCUSSION AND ANALYSIS

The focus of the policies as mentioned above involves the compulsory education period and subjects training. The businesses of some schools under the Company will be affected, but only to a small extent. Starting from 2020, the Company commenced to expand its New Gaokao business under the “Foundation Enhancement Program” and designed courses on such subjects as physical education, programming and reading with a view to enhancing students’ comprehensive quality. The early shift of the Company’s investment focus and the expansion of new business segment can mitigate the adverse impact from current policies and lay a strong foundation for its subsequent growth.

### 3. FUTURE PROSPECTS

#### 3.1 Setting new focus on vocational education

Since 2016, the PRC has been pursuing for higher quality in respect of the development of vocational education and started the amendment to the Vocational Education Law of the PRC (《中華人民共和國職業教育法》). In April 2021, the National Vocational Education Conference was convened and important instructions for vocational education were given to emphasize and accelerate the establishment of a modern vocational education structure, so as to nurture more outstanding talents in technology and skills. It was stated that vocational education was a vital base for nurturing talents in technology, facilitating employment, entrepreneurship and innovation, as well as lifting the standard of manufacturing and services in China. At the same time, the implementation of policies proposed by Ministry of Education to improve the quality of vocational education and nurture talents in various regions and the reform of educational comprehensive evaluation have motivated the development of vocational education, which is different from ordinary school education, in all facets. Unlike ordinary school education that emphasizes on teaching basic theoretical knowledge, vocational education cultivates students with decent ethics and morality, while putting much emphasis on the own characteristics of learners to help them develop professional skills in particular fields, thereby giving each of them an opportunity to light up their life in different fields or positions. This is also a necessary channel to encourage sharing wealth of the community and build a new kind of harmonious society that will benefit everyone’s whole life.

The Group will set its new focus on vocational education in the future based on Shijiazhuang Institute of Technology and diversify its continuing education products. In the future, it will operate vocational high schools, conduct vocational trainings and extend to lifelong education, with the ultimate goal of becoming a comprehensive service provider of new vocational education. The Group will also make adjustments to its existing after-school internship business by rationalizing its product lines strictly in accordance with the requirements under the Double Reduction Opinions and placing the New Gaokao business, which includes the current New Gaokao trainings and the operation/custody of full-time high schools in the future, as the second focus of the Group’s development strategy. It will combine the existing Foundation Enhancement Programs to establish an innovative system of nurturing talents and talents selection, and will provide management and consultation service for high schools in county areas to enhance their integrated competitiveness. In this regard, we have started co-operation with Shandong Commercial Group Co., Ltd (“Lushang Group”) in Shandong and accelerate the expansion of cooperative business across the PRC based on such model. The Group will perform its social responsibilities through revitalizing the development in rural areas and ensuring the balanced development of education levels.

#### 3.2 Business Optimization and Risk Prevention and Control

The Group will optimize its existing business to focus on the subjects training business at the high school level, extend its service scope, build a learning and development center and strengthen comprehensive quality training. It will expand the business scale and accelerate the collection of prepayment for the existing business. The Group will retain core staff member and deploy key staff to develop business focus. It will maintain close communications with the government, education, marketing and other authorities of areas in which our schools are located to carry out teaching activities in accordance with laws and regulations, in an attempt to avoid penalties due to incompliance and prepare contingency plans for risks prevention.

## 4. FINANCIAL REVIEW

### 4.1 Revenue

We derive revenue primarily from tuition (including tutoring fees) of schools from our students, boarding fees and service income for provision of college operation services to the west campus of Sifang College.

Revenue increased by approximately 36.8% from approximately RMB115.5 million for the six months ended 30 June 2020 to approximately RMB158.0 million for the six months ended 30 June 2021, mainly due to the increase in revenue resulted from the increase in student enrollment of Shijiazhuang Institute of Technology and the full class resumption of quality-oriented education.

### 4.2 Cost of Sales

Cost of sales primarily consisted of staff costs, rental fees, depreciation and amortization and utilities.

Cost of sales increased by approximately 41.0% from approximately RMB54.6 million for the six months ended 30 June 2020 to approximately RMB77.0 million for the six months ended 30 June 2021, mainly due to the increase in costs of quality-oriented education owing to the full class resumption of quality-oriented education.

### 4.3 Gross Profit and Gross Profit Margin

The amount of gross profit increased by approximately 33.0% from RMB60.9 million for the six months ended 30 June 2020 to RMB81.0 million for the six months ended 30 June 2021; and the gross profit margin decreased from approximately 52.7% for the six months ended 30 June 2020 to approximately 51.2% for the six months ended 30 June 2021, which was mainly due to the increase in the gross profit attributable to the significant increase in revenue from Shijiazhuang Institute of Technology and the full class resumption of quality-oriented education, while the decrease of the gross profit margin was due to the increase in costs of sales arising from full class resumption.

### 4.4 Other Income and Gains

Other income and gains consisted of (1) gains on investments; and (2) assets and equipment contributed by enterprises jointly offering featured majors at nil consideration.

Other income and gains increased by approximately 38.6% from approximately RMB12.7 million for the six months ended 30 June 2020 to approximately RMB17.6 million for the six months ended 30 June 2021, mainly due to (1) the increasing changes in fair value of the external investments; and (2) the increase in the assets and equipment contributed by enterprises jointly offering featured majors from Shijiazhuang Institute of Technology at nil consideration.

### 4.5 Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of salaries and other benefits for recruitment and advertising staff, advertising expenses and students enrollment expenses.

Selling and distribution expenses increased by approximately 46.1% from approximately RMB6.3 million for the six months ended 30 June 2020 to approximately RMB9.2 million for the six months ended 30 June 2021, mainly due to the increased costs of promotion for students enrollment.

## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 4.6 Administrative Expenses

Administrative expenses consisted of salaries and other benefits for general administrative staff as well as office-related expenses.

Administrative expenses increased by approximately 46.1% from approximately RMB23.8 million for the six months ended 30 June 2020 to approximately RMB34.7 million for the six months ended 30 June 2021, mainly due to (1) the increase in salaries owing to the increasing number of management and research and development personnel; (2) the increase in charges of the recognition of equity incentives; and (3) the increase in intermediary service fees for due diligence conducted for the contemplated investments projects, etc.

### 4.7 Other Expenses

Other expenses mainly consisted of (1) exchange loss; and (2) expenses relating to loss on disposal of various fixed assets.

Other expenses decreased from approximately RMB0.5 million for the six months ended 30 June 2020 to approximately RMB0.1 million for the six months ended 30 June 2021, mainly due to the decrease in exchange loss.

### 4.8 Finance Costs

Finance costs mainly represented interest on loans borrowed from financial institutions and guarantee fees paid to third parties for the loans borrowed.

Finance costs increased by approximately 78.4% from approximately RMB5.3 million for the six months ended 30 June 2020 to approximately RMB9.5 million for the six months ended 30 June 2021, mainly due to the increase of finance costs arising from the increase of borrowings from financial institutions.

### 4.9 Taxation

- (1) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax;
- (2) The Company's directly held subsidiary was incorporated in the British Virgin Islands as an exempted company with limited liability under the British Virgin Islands Companies Act 2004 and accordingly is not subject to income tax;
- (3) Pursuant to the Law of the People's Republic of China on Enterprise Income Tax and the respective regulations, except for the preferential tax rate of 15% or 20% available to certain subsidiaries and schools as disclosed in note 7 to the unaudited interim condensed consolidated financial statements, all of the Company's non-school subsidiaries established in the PRC are subject to the PRC Corporate Income Tax at the rate of 25%; and
- (4) Income tax expenses remained stable due to the relatively stable operation of non-school subsidiaries established in the PRC.

### 4.10 Profit for the Period

Due to the above factors, the Company's profit for the period increased by approximately 20.4% from approximately RMB36.7 million for the six months ended 30 June 2020 to approximately RMB44.2 million for the six months ended 30 June 2021.

#### 4.11 Net Liquidity and Capital and Funds and Borrowing Sources

As of 30 June 2021, net current assets of the Company were approximately RMB295.9 million, which mainly consisted of prepayments, other receivables and other assets, term deposits, pledged deposits and cash and bank balances.

As of 30 June 2021, current assets increased from approximately RMB627.2 million as of 31 December 2020 to approximately RMB740.8 million. The increase in current assets was mainly due to (1) the increase in cash and bank deposits balances; and (2) the increase in amounts due from related parties, etc.

As of 30 June 2021, current liabilities increased from approximately RMB362.8 million as of 31 December 2020 to approximately RMB444.9 million. The increase in current liabilities was mainly due to the increase in interest-bearing bank and other borrowings, etc.

As of 30 June 2021, the current ratio (current assets divided by current liabilities) decreased to 166.5% from 172.9% as of 31 December 2020. The decrease in current ratio was mainly due to the increase in interest-bearing bank and other borrowings.

In order to manage the liquidity risk, the Company monitored and maintained a sufficient level of cash and cash equivalents, which was deemed adequate by the management, as the working capital of the Company, and to eliminate the impact of cash flow fluctuations. The Company expects that it can meet the cash flow requirement in the future with internal cash flow generated by operations and bank borrowings. The Company did not adopt other financial instruments for the six months ended 30 June 2021.

The Company has not adopted financial instruments for hedging purposes.

#### 4.12 Gearing Ratio

As of 30 June 2021, the gearing ratio (calculated by total interest-bearing bank and other borrowings divided by total equity) was approximately 57.8%, representing an increase of approximately 80.9% from approximately 31.9% as of 31 December 2020, due to the significant increase in the total amount of interest-bearing bank loans and other borrowings.

#### 4.13 Major Investment

Save as disclosed in this interim report, the Company has no other plans for major investment and capital assets.

#### 4.14 Significant Investments Held, Major Acquisitions and Disposals

For the six months ended 30 June 2021, the Company did not hold any significant investments, or conduct any major acquisition or disposal of any subsidiary or associated company.

#### 4.15 Contingent Liabilities

As of 30 June 2021, the Company did not have any material contingent liabilities, guarantees or any material litigation or claims, pending or threatened against any member of the Company (31 December 2020: nil).

#### 4.16 Foreign Exchange Risk

Most gains and expenses of the Company were denominated in Renminbi. As of 30 June 2021, certain bank balances were denominated in Hong Kong dollars or US dollars. The Company currently does not have any foreign exchange hedging policy. The management will continue to monitor the foreign currency exchange risk of the Company and consider taking prudent measures in due course.



## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 4.17 Pledge of Asset

For the six months ended 30 June 2021, the Group pledged bank deposits of RMB187.0 million for obtaining two bank facilities.

### 4.18 Events after the Reporting Period

Subsequent to the Reporting Period, on 2 July 2021, the Company and CICC Capital Management Co., Ltd.\* (“CICC Capital”) entered into a strategic cooperation agreement in relation to an equity investment fund for industry-education integration, pursuant to which an investment fund would be jointly established with a total investment of RMB1.5 billion. The Company will establish a long-term, stable and win-win strategic partnership with CICC Capital. Leveraging CICC Capital’s financial strength and multi-channel resources, the Group will be able to reach the full extent of its operational capabilities in the education industry so as to extend and integrate its industrial chain, further promote the integration of industry and education and cooperation between the schools and enterprises, and cultivate more high calibre and skilled talents.

On 27 July 2021, the Company entered into an agreement with Lushang Group in relation to the establishment of a joint venture company. The Company will collaborate with Lushang Group to continuously optimize the rendering of quality education service and jointly set up related business in Shandong. Both parties will make good use of their respective strengths in market channels, content technology, and operation management. The joint venture company, established in Shandong, will serve as an in-depth practice of the reform on mixed ownership of state-owned capital and private capital, and actively participate in the domestic economy and the conversion of old and new growth momentum.

### 4.19 Human Resources

As of 30 June 2021, the Group had approximately 1,369 employees. The remuneration policy and treatment of the Group’s employees are regularly reviewed in accordance with industry practice and the performance of the Group. The Group provided external and internal training programs to its employees. As required by relevant PRC laws and regulations, the Group participated in various employee social security plans that are administered by local governments, including but not limited to, housing, pension, medical insurance and unemployment insurance.

## 5. DIRECTORS AND SENIOR MANAGEMENT

### 5.1 The Board is responsible for, and has the general power to, the management and operations of our business

As at 30 June 2021, the Board currently consists of 8 Directors, including 5 executive Directors and 3 independent non-executive Directors. The following table sets out the information of the members of the Board:

Name	Positions	Responsibilities	Relationship with other Directors or senior management
Li Yunong	Chairman of the Board and executive Director	Overall formulation, guidance of business strategy and development of the Group	Li Yunong is the father of Li Yasheng
Liu Hongwei	Chief executive officer and executive Director	Overall operation and daily management of the Group	nil
Ren Caiyin	Executive vice president, executive Director and president of the vocational education segment	Overall operation and daily management of the vocational education of the Group	nil
Yang Li	Executive Director	Research on marketing strategies of the Group	nil
Li Yasheng	Executive Director	Promoting the implementation of major events of the Group in line with its business strategies	Li Yasheng is the son of Li Yunong
Guo Litian	Independent non-executive Director	Providing independent opinion and judgment to the Board	nil
Yao Zhijun	Independent non-executive Director	Providing independent opinion and judgment to the Board	nil
Wan Joseph Jason	Independent non-executive Director	Providing independent opinion and judgment to the Board	nil

## IV. MANAGEMENT DISCUSSION AND ANALYSIS

### 5.2 The following table sets out the information of the senior management members of the Company

Name	Positions	Responsibilities
Liu Tianhang	Executive vice president	The investment, merger and acquisition, as well as capital operations of the Group
Wang Lijing	Executive vice president and president of the quality-oriented education segment	Overall operation and daily management of quality-oriented education of the Group
Wang Yongsheng	Vice president and chief financial officer	Financial management and fund planning of the Group
Wei Lei	Vice president	Overall operation, human resources and administrative affairs management of the Group
Sun Peng	Vice president	Finance management and capital innovation of the Group
Zheng Tieqiu	Joint company secretary	Capital operations, corporate governance and brand management of the Group
Mao Lei	Principal of Shijiazhuang Institute of Technology	Teaching management of Shijiazhuang Institute of Technology

Save as disclosed above, there is no other information concerning the relationship between any of the Directors or senior management members and other Directors or senior management members or substantial shareholders or controlling shareholders.

## V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

### 1. CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

For the six months ended 30 June 2021, the Company has complied with all the code provisions under the CG Code and adopted most of the recommended best practices set out therein. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

### 2. MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Specific enquiries have been made to all the Directors and each of the Directors has confirmed that he/she has complied with the code provisions of the Model Code for the six months ended 30 June 2021.

### 3. INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021.

### 4. AUDIT COMMITTEE

As at 30 June 2021, the audit committee of the Company (the “Audit Committee”) comprised three independent non-executive Directors, namely Mr. Yao Zhijun (chairman), Mr. Guo Litian and Mr. Wan Joseph Jason.

The Audit Committee has adopted the terms of reference which are in line with the CG Code. The primary duties of the Audit Committee include reviewing and monitoring the financial control, risk management and internal control systems and procedures of the Group, reviewing the financial information of the Group, and reviewing the relationship with the external auditor of the Company. The unaudited condensed interim results of the Group for the six months ended 30 June 2021 have been reviewed by the Audit Committee.

### 5. CHANGE IN DIRECTOR’S INFORMATION

Since the issue of the 2020 annual report of the Company, the Directors confirmed that no information shall be disclosed in accordance with Rule 13.51B(1) of the Listing Rules.

### 6. PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

The Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company for the six months ended 30 June 2021.

## V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

### 7. USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On 29 May 2018, the Company issued 360,000,000 Shares at a price of HK\$1.13 per Share pursuant to the initial public offering of Shares, with the total proceeds of approximately HK\$393 million and the Shares listed on the Main Board of the Stock Exchange. On 17 June 2018, the Company issued 36,000,000 Shares at a price of HK\$1.13 per Share pursuant to a partial exercise of over-allotment options relating to the listing, with the total proceeds of approximately HK\$40.7 million. The net proceeds from the listing (net of underwriting fees and relevant expenses) amounted to approximately HK\$433 million. The amounts will be applied in the manners as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, and the announcement of the Company dated 12 June 2019 in relation to the change in use of proceeds (the "Announcement").

Set out below is the use of net proceeds from the initial public offering for the six months ended 30 June 2021:

	Intended use of net proceeds (HK\$ million)	Revised use of proceeds as at the date of the Announcement (HK\$ million)	Actual use of net proceeds up to 30 June 2021 (HK\$ million)	Remaining balance up to 30 June 2021 (HK\$ million)	Expected timeline of full utilization of the remaining balance (Note)
Acquire and rebrand third-party kindergartens to expand our Saintach Kindergartens network in the Integrated Area by the end of 2020	173.2	–	–	–	–
Invest in, acquire and rebrand the domestic and overseas vocational education and quality-oriented education training schools and junior and undergraduate colleges	–	173.2	133.7	39.5	31 December 2021
Expand our Saintach Tutorial Center network in the Integrated Area through acquisition of third-party tutorial schools primarily engaged in providing small group tutoring services	86.6	86.6	62.2	24.4	31 December 2021
Maintain, renovate and upgrade the facilities, equipment and infrastructure of our schools and tutorial centers and improve student accommodation, campus environment and teaching conditions at Shijiazhuang Institute of Technology	86.6	86.6	36.7	49.9	31 December 2021
Establish our presence overseas and obtain experience in operating schools abroad	43.3	43.3	–	43.3	31 December 2021
Fund our working capital and general corporate purposes	43.3	43.3	37.2	6.1	31 December 2021
<b>Total</b>	<b>433.0</b>	<b>433.0</b>	<b>269.8</b>	<b>163.2</b>	

Note: The expected timeline for utilizing the remaining proceeds is based on the best estimation made by the Group. It will be subject to change based on the current and future development of the market condition.

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the Directors and chief executive of the Company had the following interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

Director	Nature of interest	Number of Shares <sup>(6)</sup>	Approximate percentage of shareholding <sup>(7)</sup>
Mr. Li Yunong <sup>(1)</sup>	Founder of a discretionary trust who can influence how the trustee exercises on his discretion	754,590,000 (L)	64.65%
	Beneficial owner	1,902,000 (L)	0.16%
	Beneficiary of a trust (other than a discretionary interest)	2,220,000 (L)	0.19%
Ms. Liu Hongwei <sup>(2)</sup>	Beneficial owner	2,061,000 (L)	0.18%
	Beneficiary of a trust (other than a discretionary interest)	2,220,000 (L)	0.19%
Mr. Ren Caiyin <sup>(3)</sup>	Beneficial owner	951,000 (L)	0.08%
	Beneficiary of a trust (other than a discretionary interest)	1,479,000 (L)	0.13%
Ms. Yang Li <sup>(4)</sup>	Beneficial owner	951,000 (L)	0.08%
	Beneficiary of a trust (other than a discretionary interest)	1,479,000 (L)	0.13%
Mr. Li Yasheng <sup>(5)</sup>	Beneficial owner	633,000 (L)	0.05%
	Beneficiary of a trust (other than a discretionary interest)	987,000 (L)	0.08%

Notes:

- (1) On 16 January 2020, the Company was informed by Mr. Li Yunong that he had transferred his 100% shareholding in Sainange Holdings Company Limited ("Sainange Holdings") to Leonus Holdings Limited ("Leonus") for family wealth and succession planning purposes. After the shareholding transfer, the family trust established by Mr. Li Yunong indirectly, through Leonus, holds 754,590,000 Shares held by Sainange Holdings. Mr. Li Yunong is therefore deemed to be interested in the Shares held by Sainange Holdings by virtue of the SFO, being 754,590,000 Shares. For details, please refer to the announcement of the Company dated 21 January 2020. On 5 November 2020, 1,902,000 share options, representing 1,902,000 underlying Shares, were granted to Mr. Li Yunong pursuant to the Share Option Scheme (as defined below). For details, please refer to the announcement of the Company dated 5 November 2020. On 29 December 2020, 2,220,000 award shares were granted to Mr. Li Yunong pursuant to the Share Award Plan (as defined below), subject to the vesting conditions under the grant. For details, please refer to the announcement of the Company dated 29 December 2020.
- (2) On 5 November 2020, 2,061,000 share options, representing 2,061,000 underlying Shares were granted to Ms. Liu Hongwei under the Share Option Scheme. On 29 December 2020, 2,220,000 award shares were granted to Mr. Liu Hongwei pursuant to the Share Award Plan.
- (3) On 5 November 2020, 951,000 share options, representing 951,000 underlying Shares were granted to Mr. Ren Caiyin under the Share Option Scheme. On 29 December 2020, 1,479,000 award shares were granted to Mr. Ren Caiyin pursuant to the Share Award Plan.
- (4) On 5 November 2020, 951,000 share options, representing 951,000 underlying Shares were granted to Ms. Yang Li under the Share Option Scheme. On 29 December 2020, 1,479,000 award shares were granted to Ms. Yang Li pursuant to the Share Award Plan.

## V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

- (5) On 5 November 2020, 633,000 share options, representing 633,000 underlying Shares were granted to Mr. Li Yasheng under Share Option Scheme. On 29 December 2020, 987,000 award shares were granted to Mr. Li Yasheng pursuant to the Share Award Plan.
- (6) The letter (L) denotes a long position in such securities.
- (7) As at 30 June 2021, the number of the issued shares of the Company was 1,167,216,000 Shares.

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executive of the Company had or deemed to have the interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## 9. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 30 June 2021, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name	Nature of interest	Number of Shares <sup>(5)</sup>	Approximate percentage of shareholding <sup>(6)</sup>
Ms. Cao Yang <sup>(3)</sup>	Spouse interest	758,712,000 (L)	65.00%
Sainange Holdings	Beneficial owner	754,590,000 (L)	64.65%
Leonus	Interest in a controlled corporation	754,590,000 (L)	64.65%
HSBC International Trustee Limited <sup>(1)</sup>	Trustee	754,590,000 (L)	64.65%
Ms. Luo Xinlan <sup>(2)(4)</sup>	Interest in a controlled corporation	92,736,000 (L)	7.95%
Mr. Cao Jide <sup>(4)</sup>	Spouse interest	92,736,000 (L)	7.95%
Sainray Limited	Beneficial owner	92,736,000 (L)	7.95%

Notes:

- (1) Mr. Li Yunong is the founder of a trust of which HSBC International Trustee Limited is the trustee having control over the entire issued shares of Leonus, which in turn holds the entire issued shares of Sainange Holdings. Each of Mr. Li Yunong, HSBC International Trustee Limited and Leonus is deemed to be interested in the 754,590,000 Shares held by Sainange Holdings by virtue of the SFO.
- (2) Ms. Luo Xinlan is the sole shareholder of Sainray Limited and she is therefore deemed to be interested in the Shares held by Sainray Limited by virtue of the SFO, being 92,736,000 Shares.
- (3) Ms. Cao Yang is the spouse of Mr. Li Yunong and she is therefore deemed to be interested in the Shares in which Mr. Li Yunong is interested by virtue of the SFO, being 758,712,000 Shares.
- (4) Mr. Cao Jide is the spouse of Ms. Luo Xinlan and he is therefore deemed to be interested in the Shares in which Ms. Luo Xinlan is interested by virtue of the SFO, being 92,736,000 Shares.
- (5) The letter (L) denotes a long position in such securities.
- (6) As at 30 June 2021, the number of the issued shares of the Company was 1,167,216,000 Shares.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO; or to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

### 10. SHARE OPTION SCHEME

The Company was approved to adopt a share option scheme ("Share Option Scheme") on 4 May 2018. For details of the terms of the Share Option Scheme, please refer to the Appendix V in the Prospectus.

#### (1) Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in the Company and help motivate them to boost their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going cooperation relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

#### (2) Who may join

The Board may, at its absolute discretion, offer share options ("Options") to the following persons to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme:

- a. Any executive director, manager or other employee holding administrative, managerial, regulatory or similar positions in any member of the Group ("Executives"), any employee candidate, any full-time or part-time employee, or any person who is temporarily transferred to any member of the Group for full-time or part-time job (the "Employees");
- b. Directors or nominated directors (including independent non-executive directors) of any member of the Group;
- c. Direct or indirect shareholders of any member of the Group;
- d. Suppliers who supply goods or render services to any member of the Group;
- e. Customers, consultants, business or joint venture partners, franchisees, contractors, agents or representatives of any member of the Group;
- f. Individuals or entities who provide any member of the Group with the design, research, development or other support or any advice, consultancy, professional or other services; and
- g. The associates of any person mentioned in paragraphs a to f above (the above persons are collectively referred to as the "Eligible Persons").



## V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

### (3) Maximum Number of Shares

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as of the Listing Date (such 10% limit represented 120,000,000 Shares, excluding Shares which may fall to be issued upon exercise of the over-allotment option granted by the Company) (the "Scheme Mandate Limit") provided that:

- a. The Company may at any time as the Board thinks fit seek approval from the Shareholders to refresh the Scheme Mandate Limit, provided that the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other schemes of the Company shall not exceed 10% of the Shares in issue as of the date of approval by the Shareholders of the refreshment of the Scheme Mandate Limit at the general meeting. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall despatch a circular to the Shareholders, which will contain the details and data as required under the Listing Rules;
- b. The Company may seek separate approval from the Shareholders at the general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by the Company before such approval is obtained. The Company shall send a circular to the Shareholders containing the details and data required under the Listing Rules; and
- c. The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Company's issued share capital from time to time. No Options may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in such limit being exceeded.

### (4) Maximum entitlement of each participant

Subject to Shareholders' approval, no Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of the Company's issued share capital from time to time.

### (5) Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

### (6) Term for acceptance and exercise of Options

An offer of the grant of Options shall remain open for acceptance by the Eligible Persons for a period of 28 days from the offer date, provided that no such grant of Options may be accepted after the expiry of the effective period of the Share Option Scheme. Options shall be deemed to have been granted and accepted by the Eligible Persons and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Options duly signed by the grantee together with a remittance in favor of the Company of HK\$1.00 being the consideration for the grant thereof is received by the Company on or before the date upon which an offer of Options must be accepted by the relevant Eligible Persons, being a date no later than 28 days after the offer date (the "Acceptance Date"). Such remittance shall under no circumstances be refundable.

Any offer of the grant of Options may be accepted in respect of less than the number of Shares in respect of which it is offered, provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number shall be clearly stated in the duplicate offer letter comprising acceptance of the offer of Options. To the extent that the offer of the grant of Options is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

Subject to the terms of the Share Option Scheme, such scheme shall be valid and effective for a period of ten years from the date on which it becomes unconditional.

### (7) Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the offer date.

### (8) Movements in Options

The Share Option Scheme will lapse automatically and not be exercisable under the circumstances set out in "Appendix V – Statutory and General Information – 13. Lapse of Share Option Scheme" of the Prospectus. No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

## V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

Below sets out the details of the changes in the Options under the Share Option Scheme for the six months ended 30 June 2021 and the Options outstanding during the period:

Name of grantee	Date of grant	Number of Options					As at 30 June 2021	Exercise price per Share (HK\$)	Share price immediately prior to the date of grant (HK\$ per Share)	Fair value of Options (HK\$ per Share)	Exercise period
		As at 1 January 2021	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled/ forfeited during the period					
Mr. Li Yunong (Chairman of the Board and executive Director)	5 November 2020	1,902,000 (Note 1)	-	-	-	-	1,902,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Ms. Liu Hongwei (chief executive officer and executive Director)	5 November 2020	2,061,000 (Note 1)	-	-	-	-	2,061,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Mr. Ren Caiyin (executive vice president and executive Director)	5 November 2020	951,000 (Note 1)	-	-	-	-	951,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Ms. Yang Li (executive Director)	5 November 2020	951,000 (Note 1)	-	-	-	-	951,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Mr. Li Yasheng (executive Director)	5 November 2020	633,000 (Note 1)	-	-	-	-	633,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
		6,498,000	-	-	-	-	6,498,000				
Total for employees	5 November 2020	4,275,000 (Note 1)	-	-	-	-	4,275,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Total for consultants	5 November 2020	4,272,000 (Note 1)	-	-	-	-	4,272,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Total for connected person (Note 2)	5 November 2020	792,000 (Note 1)	-	-	-	-	792,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Total		15,837,000	-	-	-	-	15,837,000				

Notes:

- (1) 30% of the Options shall vest after the first anniversary of the grant date of the Options, with the fair value of HK\$0.23 per Option; 30% of the Options shall vest after the second anniversary of the grant date of the Options, with the fair value of HK\$0.23 per Option; and 40% of the Options shall vest after the third anniversary of the grant date of the Options, with the fair value of HK\$0.22 per Option.
- (2) Mr. Liu Zhanjie resigned as executive Director and vice chairman of the Board with effect from 31 March 2021.

The values of Options calculated using the binomial model (the "Model") are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an Option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an Option.

The following table lists the inputs to the Model used:

Measurement date	05/11/2020
Dividend yield (%)	3.31%
Expected volatility (%)	50.45%
Risk-free interest rate (%)	0.11%

## 11. SHARE AWARD PLAN

A share award plan (the "Share Award Plan") was adopted by the Board on 14 October 2020 (the "Adoption Date"), the details of which are set out as follows:

### (1) Purpose of the Share Award Plan

The purposes of the Share Award Plan are to recognise and reward the contribution of Eligible Participants (as defined hereunder) to the growth and development of the Group, to give incentives to Eligible Participants (as defined hereunder) in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

### (2) Administration

The Share Award Plan shall be subject to the administration of the Board and the trustee under the Share Award Plan (the "Trustee") in accordance with the terms of the Share Award Plan and the terms of the trust deed (entered into between the Company and the Trustee in respect of the Shares and other trust fund (if any) held or to be held by the Trustee subject to the terms thereof) (the "Trust Deed"). The Trustee shall hold the trust fund in accordance with the terms of the Trust Deed.

### (3) Eligibility

Under the rules constituting the Share Award Plan, the following classes of participants (excluding the excluded participants) (the "Eligible Participants") are eligible for participation in the Share Award Plan:

- (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary of the Company or any invested entity (being any entity in which any member of the Group holds any equity interest) (an "Employee");
- (b) any non-executive director (including independent non-executive directors) of the Company, any subsidiary or any invested entity;
- (c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any invested entity; and
- (d) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the Share Award Plan, the award of Shares ("Award") may be made to any company wholly owned by one or more of the above participants.

## V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

### (4) Shares Pool

In order to satisfy any award of Shares to be granted under the Share Award Plan from time to time, the Trustee shall maintain a shares pool which shall comprise the following: (a) such Shares as may be purchased by the Trustee on the Stock Exchange or off the market by utilising the funds allocated by the Board out of the Company's resources; (b) such Shares as may be subscribed by the Trustee by utilising the funds allocated by the Board out of the Company's resources, subject to the Company having obtained the requisite Shareholders' approval in general meeting under general mandate or specific mandate for the allotment and issue of new Shares, the grant of listing of and permission to deal in such Shares by the Stock Exchange, and compliance with the applicable requirements under the Listing Rules; (c) such Shares as may be allotted or issued to the Trustee as a holder of Shares, whether by way of scrip dividend or otherwise; and (d) such Shares which remain unvested and revert to the Trustee due to the lapse of the Award.

The Trustee may purchase the Shares on the Stock Exchange at the prevailing market price (subject to such maximum price as may be from time to time prescribed by the Board), or off the market. In the event that the Trustee effects any purchases by off-market transactions, the purchase price for such purchases shall not be higher than the lower of the following: (i) the closing market price on the date of such purchase, and (ii) the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

Where any Award is proposed to be made to a connected person and the relevant Award of the Award Shares (as defined hereunder) is to be satisfied by an allotment and issue of new Shares, the Award shall be separately approved by the Shareholders in general meeting with such connected person and his associates abstaining from voting and shall comply with all other requirements of Chapter 14A of the Listing Rules applicable to such Award.

### (5) Award of Shares

The Board shall, subject to and in accordance with the rules of the Share Award Plan, be entitled to, at any time during the continuation of the Share Award Plan, make an Award out of the shares pool to any of the Eligible Participants such number of Shares as it shall determine pursuant to the Share Award Plan.

The Board shall notify the Trustee in writing upon the making of an Award under the Share Award Plan by giving the Trustee an award notice.

### (6) Vesting of the Award Shares

The Board may from time to time, at its discretion, determine the earliest vesting date and other subsequent date(s), if any, subject to and upon which the Award Shares held by the Trustee upon trust and which are referable to a selected participant shall vest in that selected participant.

### (7) Lapse of Award

In the event that the selected participant who is an Employee ceases to be an Employee by virtue of a corporate reorganisation of the Group or the Invested Entity, then any Award made to such selected participant, to the extent not already vested, shall forthwith lapse and be cancelled.

### (8) Voting rights of the Shares in the Shares Pool

The Trustee shall not exercise the voting rights in respect of the Shares held under trust constituted by the Trust Deed. The selected participants shall not have any right to receive any Shares provisionally awarded to them pursuant to an Award ("Award Shares") set aside for them unless and until the Trustee has transferred and vested the legal and beneficial ownership of such Award Shares to and in the selected participants.

**(9) Duration of the Share Award Plan and termination of the Share Award Plan**

The Share Award Plan shall be valid and effective for a period of 10 years commencing from the Adoption Date but may be terminated earlier as determined by the Board.

**(10) Share Award Plan limit**

The maximum number of Shares to be subscribed for and/or purchased by the Trustee by applying the contribution made by the Company or any of its subsidiaries for the purpose of the Share Award Plan shall not exceed 10% of the total number of issued Shares as at the Adoption Date. The Board shall not instruct the Trustee to subscribe for and/or purchase any Shares for the purpose of the Share Award Plan when such subscription and/or purchase will result in such threshold being exceeded.

The maximum number of Shares which may be subject to an Award or Awards to a selected participant shall not in aggregate exceed 1% of the issued share capital of the Company as at the Adoption Date.

For the six months ended 30 June 2021, the Trustee was authorised to purchase 27,999,000 Shares on the Stock Exchange for the Share Award Plan. During the period, 406,800 Awarded Shares lapsed. Save as disclosed above, there were no Awarded Shares granted or vested pursuant to the Share Award Plan.

Movements of the Award Shares under the Share Award Plan for the six months ended 30 June 2021 are as follows:

Name of awardee	Date of grant	Vesting period <sup>(1)</sup>	Number of Awarded Shares				Outstanding as at 30 June 2021
			Outstanding as at 1 January 2021	Granted during the period	Vested during the period	Lapsed during the period	
<b>Director</b>							
Mr. Li Yunong	29 December 2020	29 December 2021 to 29 December 2023	2,220,000	–	–	–	2,220,000
Ms. Liu Hongwei	29 December 2020	29 December 2021 to 29 December 2023	2,220,000	–	–	–	2,220,000
Mr. Ren Caiyin	29 December 2020	29 December 2021 to 29 December 2023	1,479,000	–	–	–	1,479,000
Ms. Yang Li	29 December 2020	29 December 2021 to 29 December 2023	1,479,000	–	–	–	1,479,000
Mr. Li Yasheng <sup>(2)</sup>	29 December 2020	29 December 2021 to 29 December 2023	987,000	–	–	–	987,000
<b>Employees</b>	29 December 2020	29 December 2021 to 29 December 2023	18,102,000	–	–	406,800	17,695,200
<b>Connected person<sup>(3)</sup></b>	29 November 2020	29 December 2021 to 29 December 2023	1,233,000	–	–	–	1,233,000
<b>Total</b>			27,720,000	–	–	406,800	27,313,200

Notes:

- (1) 30% of the Awarded Shares shall vest on the expiry date of the 12th month after the relevant date of grant of the Award Shares; 30% of the Awarded Shares shall vest on the expiry date of the 24th month after the relevant date of grant of the Award Shares; and 40% of the Awarded Shares shall vest on the expiry date of the 36th month after the relevant date of grant of the Award Shares.
- (2) Mr. Li Yasheng is the son of the Mr. Li Yunong.
- (3) Mr. Liu Zhanjie resigned as executive Director and vice chairman of the Board with effect from 31 March 2021.

## V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

### 12. DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this interim report, during the reporting period, the Company or any of its subsidiaries did not enter into any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their respective spouses or children under the age of 18 were granted any right to subscribe for the share capital or debt securities of the Company or any other body corporate, or had exercised any such right.

### 13. STRUCTURED CONTRACTS

Please refer to the section headed "Structured Contracts" in the Prospectus for details. For the six months ended 30 June 2021, the Board reviewed the overall performance of the Structured Contracts and believed that the Group had complied with the Structured Contracts in all material respects.

#### (1) Qualification Requirement

Pursuant to the Foreign Investment Catalog (外商投資目錄) and the Sino-Foreign Cooperative School-Running Regulations (中外合作辦學條例) and as confirmed by the Bureau of Education of Hebei Province, the foreign investors of Sino-foreign joint venture schools offering preschool, tertiary education, academic non-credential and secondary vocational education shall be a foreign educational institution with relevant qualification and experience (the "Qualification Requirements"), and hold less than 50% of the capital in a Sino-foreign educational institute and the domestic party shall play a dominant role. After consulting with the Hebei Education Department, the foreign investor should be an officially recognized educational institution which is entitled to award diplomas and generally has certain advantages over the PRC-invested educational institutions. We have taken specific plans and started to implement concrete measures, while the Company believes that such plans and measures had considerable significance in striving to demonstrate their compliance with the Qualification Requirements.

As advised by Jingtian & Gongcheng, the PRC legal advisor of the Company (the "PRC Legal Advisor"), none of the implementation regulations related to the Qualification Requirements was updated for the six months ended 30 June 2021.

Please also refer to the section headed "Structured Contracts" in the Prospectus for details of the efforts and actions made by the Group in accordance with the Qualification Requirements.

#### (2) Draft of Foreign Investment Law

On 15 March 2019, the Foreign Investment Law was formally passed at the 13th National People's Congress, which became effective from 1 January 2020. The Foreign Investment Law does not explicitly stipulate that a contractual arrangement constitutes a form of foreign investment. As advised by our PRC Legal Advisor, as contractual arrangement is not classified as an investment under the Foreign Investment Law, and if a contractual arrangement is not included as a form of foreign investment into the laws, administrative regulations or provisions of the State Council in the future, the Structured Contracts of the Company as a whole and each agreement constituting the Structured Contracts will not be affected. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investments shall include "the investments made by foreign investors in the manners prescribed by laws, administrative regulations or otherwise by the State Council". Therefore, a contractual arrangement may be treated as a form of foreign investment by the laws, administrative regulations or provisions of the State Council in the future. It is uncertain as to whether the Company's Structured Contracts will be recognized as foreign investment, whether they will be considered as violating foreign investment access requirements, and how the above Structured Contracts will be handled. As such, there is no assurance that the Company's Structured Contracts and the business of the PRC's Operating Entities would not be materially and adversely affected in the future.

## V. CORPORATE GOVERNANCE REPORT AND OTHER INFORMATION

Save as disclosed above, the Company and the Board, after consulting the PRC Legal Advisor, are satisfied that there is no other up-to-date information on the Foreign Investment Law.

### 14. DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

For the six months ended 30 June 2021, the Board was not aware of that any business or interests of the Directors and their respective associates constitute or may constitute competition to the Group's business or cause or may cause any other conflict of interest to the Group.



## VI. Unaudited Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>157,999</b>	115,500
Cost of sales		<b>(77,041)</b>	(54,649)
Gross profit		<b>80,958</b>	60,851
Other income and gains	4	<b>17,624</b>	12,719
Selling expenses		<b>(9,173)</b>	(6,279)
Administrative expenses		<b>(34,715)</b>	(23,764)
Impairment losses on financial and contract assets		<b>(1,121)</b>	(1,381)
Other expenses		<b>(77)</b>	(465)
Finance costs	5	<b>(9,498)</b>	(5,325)
<b>PROFIT BEFORE TAX</b>	6	<b>43,998</b>	36,356
Income tax expense	7	<b>158</b>	326
<b>PROFIT FOR THE PERIOD</b>		<b>44,156</b>	36,682
Attributable to:			
Owners of the Company		<b>44,424</b>	36,261
Non-controlling interests		<b>(268)</b>	421
		<b>44,156</b>	36,682
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	9		
Basic and diluted – For profit for the period		<b>RMB3.90 cents</b>	RMB3.00 cents
<b>PROFIT FOR THE PERIOD</b>		<b>44,156</b>	36,682
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange differences on translation of foreign operations		<b>(2,857)</b>	6,864
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(2,857)</b>	6,864
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>41,299</b>	43,546
Attributable to:			
Owners of the Company		<b>41,567</b>	43,125
Non-controlling interests		<b>(268)</b>	421
		<b>41,299</b>	43,546

## VII. Unaudited Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	232,101	151,126
Right-of-use assets		134,677	95,580
Goodwill		68,007	68,007
Other intangible assets		19,911	20,816
Amount advanced to a related party	20(b)	–	78,750
Financial asset at fair value through profit or loss	11	35,835	36,247
Other non-current assets	12	66,702	65,334
Total non-current assets		557,233	515,860
<b>CURRENT ASSETS</b>			
Trade receivables	13	6,164	5,619
Contract costs		2,337	3,185
Prepayments, deposits and other receivables	14	61,861	23,877
Amounts due from related parties	20(b)	16,927	5,183
Financial assets at fair value through profit or loss	11	8,121	4,646
Term deposits		40,000	40,000
Pledged deposits		187,000	187,000
Cash and bank balances		418,368	357,700
Total current assets		740,778	627,210
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	15	81,899	88,839
Interest-bearing bank and other borrowings	16	309,909	143,926
Contract liabilities	17	31,772	108,495
Amounts due to related parties	20(b)	517	275
Lease liabilities		12,284	12,717
Tax payable		1,927	2,914
Other current payables		6,609	5,598
Total current liabilities		444,917	362,764
<b>NET CURRENT ASSETS</b>		<b>295,861</b>	264,446
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>853,094</b>	780,306
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	16	103,234	70,035
Lease liabilities		27,666	26,436
Other non-current liabilities		5,340	12,366
Deferred tax liabilities		1,426	1,522
Total non-current liabilities		137,666	110,359
Net assets		715,428	669,947

## VII. Unaudited Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	18	9,801	9,801
Treasury shares		(237)	(237)
Reserves		698,239	652,490
		707,803	662,054
Non-controlling interests		7,625	7,893
Total equity		715,428	669,947

## VIII. Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company													
	Share capital RMB'000	Treasury Shares RMB'000	Share premium* RMB'000	Capital redemption reserve* RMB'000	Capital surplus reserve* RMB'000	Share option reserve* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Exchange fluctuation reserve* RMB'000	Other reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000	
<b>At 1 January 2021 (audited)</b>	9,801	(237)	247,221	54,796	620	125,388	2,082	(2,000)	17,356	1,631	205,396	662,054	7,893	669,947
Profit for the year	-	-	-	-	-	-	-	-	-	-	44,424	44,424	(268)	44,156
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(2,857)	-	-	(2,857)	-	(2,857)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	(2,857)	-	44,424	41,567	(268)	41,299
Equity-settled share option arrangements	-	-	-	-	-	-	4,182	-	-	-	-	-	-	4,182
Profit appropriation to reserves	-	-	-	-	-	14,856	-	-	-	-	(14,856)	-	-	-
<b>At 30 June 2021 (unaudited)</b>	9,801	(237)	247,221	54,796	620	140,244	6,264	(2,000)	14,499	1,631	234,964	707,803	7,625	715,428

\* These reserve accounts comprise the reserves of RMB698,239,000 in the unaudited interim condensed consolidated statement of financial position as at 30 June 2021 (31 December 2020: RMB652,490,000).

## VIII. Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company													
	Share capital RMB'000	Treasury Shares RMB'000	Share premium* RMB'000	Capital reserve* RMB'000	Capital redemption reserve* RMB'000	Capital surplus reserve* RMB'000	Statutory reserve* RMB'000	Share option reserve* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Exchange fluctuation reserve* RMB'000	Other reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non- controlling interests RMB'000
<b>At 1 January 2020 (audited)</b>	10,286	(114)	311,557	54,796	135	101,437	1,325	(1,820)	33,770	1,631	152,648	665,651	6,943	672,594
Profit for the year	-	-	-	-	-	-	-	-	-	-	37,102	37,102	(420)	36,682
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	6,864	-	-	6,864	-	6,864
Total comprehensive income for the year	-	-	-	-	-	-	-	-	6,864	-	37,102	43,966	(420)	43,546
Shares repurchased	(432)	114	(19,880)	-	432	-	-	-	-	-	(432)	(20,198)	-	(20,198)
Equity-settled share option arrangements	-	-	-	-	-	-	528	-	-	-	-	528	-	528
Profit appropriation to reserves	-	-	-	-	-	11,998	-	-	-	-	(11,998)	-	-	-
<b>At 30 June 2020 (unaudited)</b>	9,854	-	291,677	54,796	567	113,435	1,853	(1,820)	40,634	1,631	177,320	689,947	6,523	696,470

## IX. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		43,998	36,356
Adjustments for:			
Interest income	4	(4,196)	(8,884)
Equity-settled share option expense		4,182	528
Finance costs	5	9,498	5,325
Depreciation of property, plant and equipment	6	10,226	8,965
Depreciation of right-of-use assets	6	8,069	9,725
Impairment losses on financial assets		1,121	1,381
Amortisation of intangible assets	6	1,301	1,136
Loss on disposal of items of property, plant and equipment	6	8	94
Investment income		(1,632)	–
Changes in fair value of financial assets		(3,535)	–
Recognition of certain donated property, plant and equipment		(4,560)	–
Covid-19-related rent concessions from lessors		(599)	–
Covid-19-related VAT exemptions		(458)	–
		<b>63,423</b>	<b>54,626</b>
(Increase)/decrease in prepayments, deposits and other receivables		(14,043)	72,861
Increase in trade receivables		(1,666)	(5,081)
Decrease in contract costs		848	1,189
Increase in amounts due from related parties		(11,723)	(2,863)
Increase/(decrease) in amounts due to related parties		242	(686)
(Decrease)/increase in other payables and accruals		(4,654)	1,082
Decrease in contract liabilities		(76,723)	(40,068)
Cash (used in)/from operations		(44,296)	81,060
Interest received		436	1,704
Corporate income tax paid		(925)	(1,466)
Net cash flows (used in)/from operating activities		(44,785)	81,298
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		1,201	6,291
Acquisition of subsidiaries		–	(1,648)
Investment income received		264	–
Purchases and prepayment for items of property, plant and equipment		(31,115)	(20,854)
Additions to intangible assets		(396)	(25)
Purchases of financial assets at fair value through profit or loss		–	(16,757)
Settlement of remaining consideration in respect of acquisition of a subsidiary		(6,015)	–
Proceeds from disposal of items of property, plant and equipment		6	–
(Advances to)/repayment from third parties, net		(27,000)	25,082
Increase in pledged deposits		–	(8,500)
Net cash flows used in investing activities		(63,055)	(16,411)

## IX. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank borrowing and other borrowings		220,540	51,120
Repayment of bank and other borrowings		(21,254)	(53,626)
Share repurchase		–	(20,198)
Principal portion of lease payments		(20,643)	(6,192)
Interest paid		(7,625)	(2,657)
Net cash flows from/(used in) financing activities		171,018	(31,553)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of period		357,700	258,613
Effect of foreign exchange rate changes, net		(2,510)	6,902
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>418,368</b>	298,849
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows		418,368	298,849

# X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

## 1. GENERAL INFORMATION

China 21st Century Education Group Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 20 September 2016. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the six months ended 30 June 2021, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the provision of education services and related management services in the People’s Republic of China (the “PRC”).

## 2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2021 (the “Period”) have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the “IASB”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

Amendments to IFRS 9, IAS 39 and IFRS 7,  
IFRS 4 and IFRS 16  
Amendment to IFRS 16

Interest Rate Benchmark Reform – Phase 2

Covid-19-Related Rent Concessions beyond  
30 June 2021 (early adopted)

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.



## X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (b) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2021, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2021. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB599,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2021.

### 3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services and the college management services in the PRC.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit which is measured consistently with the Group's profit before tax except that finance costs (other than interest on lease liabilities), interest income and other unallocated expenses are excluded from such measurement.

Segment assets exclude cash and bank balances, term deposits, pledged deposits, an amount due from a related party, financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, an amount due to a related party, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

## 3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2021

	Vocational education RMB'000 (Unaudited)	Quality- oriented education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	90,787	67,212	157,999
Other segment revenue	8,408	4,843	13,251
Total	99,195	72,055	171,250
<b>Segment results</b>	<b>55,940</b>	<b>6,135</b>	<b>62,075</b>
<i>Reconciliation:</i>			
Finance costs (other than interest on lease liabilities)			(8,735)
Interest income			4,196
Unallocated expenses			(13,538)
Profit before tax			43,998
<b>Segment assets</b>	<b>390,884</b>	<b>122,715</b>	<b>513,599</b>
<i>Reconciliation:</i>			
Cash and bank balances			418,368
Term deposits			40,000
Pledged deposits			187,000
Amounts due from related parties			16,927
Financial assets at fair value through profit or loss			43,956
Unallocated head office and corporate assets			78,161
Total assets			1,298,011
<b>Segment liabilities</b>	<b>(76,637)</b>	<b>(76,983)</b>	<b>(153,620)</b>
<i>Reconciliation:</i>			
Interest-bearing bank borrowings			(413,143)
Amounts due to related parties			(517)
Tax payable			(1,927)
Unallocated head office and corporate liabilities			(13,376)
Total liabilities			(582,583)
<b>Other segment information:</b>			
Depreciation and amortisation	11,562	8,034	19,596
Capital expenditure	126,490	1,533	128,023
Loss on disposal of items of property, plant, and equipment	6	2	8

## X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

### 3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2020

	Vocational education RMB'000 (Unaudited)	Quality- oriented education RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	74,638	40,862	115,500
Other segment revenue	1,631	2,069	3,700
Total	76,269	42,931	119,200
<b>Segment results</b>	43,910	5,314	49,224
<i>Reconciliation:</i>			
Finance costs (other than interest on lease liabilities)			(3,991)
Interest income			8,884
Unallocated expenses			(17,761)
Profit before tax			36,356
<b>Other segment information:</b>			
Depreciation and amortisation	10,863	8,963	19,826
Capital expenditure <sup>^</sup>	1,933	1,212	3,145
Loss on disposal of items of property, plant, and equipment	4	90	94

## 3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2020

	Vocational education RMB'000 (Audited)	Quality- oriented education RMB'000 (Audited)	Total RMB'000 (Audited)
<b>Segment assets</b>	355,836	70,447	426,283
<i>Reconciliation</i>			
Term deposits			40,000
Pledged deposits			187,000
Cash and bank balances			357,700
Financial assets at fair value through profit or loss			40,893
Unallocated head office and corporate assets			91,194
<b>Total assets</b>			<b>1,143,070</b>
<b>Segment liabilities</b>	(158,878)	(66,033)	(224,911)
<i>Reconciliation</i>			
Interest-bearing bank and other borrowings			(213,961)
Amounts due to related parties			(275)
Tax payable			(2,914)
Unallocated head office and corporate liabilities			(31,062)
<b>Total liabilities</b>			<b>(473,123)</b>

<sup>^</sup> Capital expenditure consists of additions in property, plant and equipment, and intangible assets including assets from the acquisition of subsidiaries.

**Geographical information**

During both periods, the Group operated within one geographical area because all of its revenue was generated in the PRC and all of its long-term assets were located in the PRC. Accordingly, no geographical information is presented.

**Information about major customers**

During both periods, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

## X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

### 4. REVENUE, OTHER INCOME AND GAINS

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<b><u>Revenue from contracts with customers</u></b>			
<b>Vocational education</b>			
Tuition fees		62,901	57,750
Boarding fees		8,636	842
College operation service income	(i)	12,900	10,700
Others	(ii)	6,350	5,346
		90,787	74,638
<b>Quality-oriented education</b>			
Tutoring fees		51,321	36,618
Tuition fees		13,790	1,711
Consultation fees		2,101	2,533
		67,212	40,862
<b><u>Other income and gains</u></b>			
Interest income		4,196	8,884
Site use fees	(iii)	1,017	1,631
Sale of education materials and living goods		1,009	70
Government grants		178	135
Fair value gain on financial assets at fair value through profit or loss		3,535	1,345
Others		7,689	654
		17,624	12,719

Notes:

- (i) The college operation service income comprises the service income derived from the provision of college operation service and the provision of accommodation service to the students.
- (ii) Others primarily represent service fees received from certain independent universities in respect of the provision of student recruitment services, income received from the provision of vocational training and examination preparation courses and income derived from granting the right of canteen management.
- (iii) The amounts represent usage fees received from certain colleges and enterprises in connection with their uses of the school premises and facilities of the Group to organise teaching and training activities.

## X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

### 5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	8,333	3,541
Interest on lease liabilities	763	1,334
Financing consultancy service charges <sup>^</sup>	402	450
	9,498	5,325

<sup>^</sup> The financing consultancy service charges represented service fees paid by the Group in respect of certain bank and other borrowings obtained by the Group during both periods.

### 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales	77,041	54,649
Depreciation of property, plant and equipment	10,226	8,965
Depreciation of right-of-use assets	8,069	9,725
Amortisation of intangible assets	1,301	1,136
Minimum lease payments under operating leases:		
– Buildings	415	606
– Others	139	70
	554	676
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	54,881	34,821
Equity-settled share option expense	2,804	137
Pension scheme contributions (defined contribution scheme)	6,448	5,892
	64,133	40,850
Impairment of trade receivables	1,121	1,381
Fair value gains from financial investment at fair value through profit or loss	(3,535)	(1,345)
Loss on disposal of items of property, plant and equipment	8	94

## X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

### 7. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

The Company's directly held subsidiary was incorporated in the BVI as an exempted company with limited liability under the BVI Companies Act. 2004 and accordingly is not subject to income tax.

#### Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period.

#### PRC Corporate Income Tax ("CIT")

Beijing Xin Tian Di Xian Information and Technology Co., Ltd.\* (北京新天地線信息技術有限公司) was accredited as a High-tech Enterprise and was entitled to a preferential tax rate of 15%.

Shijiazhuang Qiaoxi District Blue Crystal Saintach Kindergarten\* (石家莊市橋西區新天際藍水晶幼兒園), Shijiazhuang Chang'an District Qinghui Saintach Kindergarten\* (石家莊市長安區新天際清暉幼兒園), Shijiazhuang High-tech Industrial Development Zone Tianshan Saintach Kindergarten\* (石家莊高新技術產業開發區新天際天山幼兒園), Shijiazhuang Qiaoxi District Lidu Saintach Kindergarten\* (石家莊市橋西區新天際麗都幼兒園), Zhengding County Fumenli Saintach Kindergarten\* (正定縣新天際福門里幼兒園), Shijiazhuang Chang'an District Jianhua Saintach Kindergarten\* (石家莊市長安區新天際建華幼兒園), Shijiazhuang Luquan District Fukang Saintach Kindergarten\* (石家莊市鹿泉區新天際福康幼兒園), Zhengding County Saintach Kindergarten\* (正定縣新天際幼兒園), Shijiazhuang Xinhua District Huixuan Education Tutorial School\* (石家莊市新華區慧軒教育培訓學校), Shijiazhuang High-tech Industrial Development Zone Saintach Tutorial School\* (石家莊市高新區新天際培訓學校), Hangzhou Huashi Peijian Tutorial School, Ltd.\* (杭州華石培培培訓學校有限公司), Jiashan County Shinedo Education Tutorial School, Ltd.\* (嘉善縣學鼎培訓學校有限公司), Hangzhou Yimai Enterprise Management Consulting Co., Ltd.\* (杭州一脈企業管理諮詢有限責任公司), Shaoxing Shangyu Xueding Education Consulting Co., Ltd.\* (紹興上虞學鼎教育諮詢有限公司), Shaoxing Shangyu Shinedao Education Tutorial School\* (紹興市上虞區學鼎教育培訓學校), Yuyao Xuedao Education Tutorial School, Ltd.\* (余姚學道教育培訓學校有限公司), Yuyao Xueneng Tutorial School, Ltd.\* (余姚學能培訓學校有限公司), Shijiazhuang Zhehan Book Sales Co., Ltd.\* (石家莊哲瀚圖書銷售有限公司), Hebei Sheng Dao Xiang Cheng Education and Technology Co., Ltd.\* (河北晟道象成教育科技有限公司) ("Sheng Dao Xiang Cheng"), Beijing Zhihang Education Technology Co., Ltd.\* (北京志航教育科技有限公司) and Shanghai Zhiyu Education Technology Co., Ltd.\* (上海志宇教育科技有限公司) were certified as small and micro-sized enterprises ("SMEs") in 2021 whose accumulated taxable income of the year was below RMB1,000,000, and enjoyed 75% reduction of the accumulated taxable income and the preferential CIT rate of 20% for the Period.

Shijiazhuang Qiaoxi District Zhicheng Tutorial School\* (石家莊市橋西區智城培訓學校), Shijiazhuang Chang'an District Saintach Tutorial School\* (石家莊市長安區新天際培訓學校), Shijiazhuang Qiaoxi District Bilingual Culture Tutorial School\* (石家莊市橋西區雙語文化培訓學校), Shijiazhuang Yuhua District Donggang Road Saintach Tutorial School\* (石家莊市裕華區東崗路新天際培訓學校), Zhejiang Peijian Technology Co., Ltd.\* (浙江培培尖科技有限公司), Chongqing Peijian Tutorial School, Ltd.\* (重慶培培尖課外培訓學校有限公司) and Zhoushan Dinghai Shinedao Education Tutorial School Co., Ltd.\* (舟山市定海區學鼎培訓學校有限公司) were certified as SMEs in 2021, whose accumulated taxable income of the year exceeded RMB1,000,000 but below RMB3,000,000. These subsidiaries enjoyed 75% reduction of the accumulated taxable income and the preferential CIT rate of 20% for the taxable income below RMB1,000,000, and 50% reduction of the accumulated taxable income and the preferential CIT rate of 20% for the taxable income exceeding RMB1,000,000 and below RMB3,000,000.

Pursuant to the CIT Law and the respective regulations, the other PRC subsidiaries were subject to income tax at a statutory rate of 25% for the Period.

## 7. INCOME TAX (Continued)

### PRC Corporate Income Tax ("CIT") (Continued)

According to Implementation Regulations, non-public schools, whether requiring reasonable returns or not, may enjoy preferential tax treatments. non-public schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. It is stated in the Implementation Regulations that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the year and up to the date approved of these financial statements, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities, the Group's schools which require reasonable returns did not pay CIT and had enjoyed the preferential CIT exemption treatments in 2020. Except for the tutorial centers and certain kindergartens, there was no CIT imposed on Shijiazhuang Institute of Technology and the remaining kindergartens in respect of the education services provided in 2021.

As a result, no income tax expense was recognised for the income from the provision of formal education services for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

The major components of the Corporate income tax expense for the Group are as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the Period	169	85
Overprovision in prior years	(230)	(348)
Deferred	(97)	(63)
	(158)	(326)

## 8. DIVIDENDS

The Board does not recommend the payment of dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the Period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue, during the six months ended 30 June 2021 and 2020.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.



## X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

### 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	44,424	36,261

  

	Number of shares ('000) Six months ended 30 June	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue	1,167,216	1,207,869
Weighted average number of shares held for the restricted share unit scheme	(27,999)	–
Adjusted weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	1,139,217	1,207,869

### 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment at a cost of RMB91,200,000 (six months ended 30 June 2020: RMB4,181,000).

Assets with a net book value of RMB14,000 were disposed of by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB94,000), resulting in a net loss on disposal of RMB8,000 (six months ended 30 June 2020: a loss of RMB94,000).

## X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

### 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
A listed equity investment, at fair value	(i)	8,121	4,646
Other unlisted investments, at fair value			
Wealth capital management product	(ii)	34,924	35,325
Life insurance policy	(ii)	911	922
		43,956	40,893
Analysed into:			
Current portion		8,121	4,646
Non-current portion		35,835	36,247

Notes:

- (i) The above equity investment was classified as a financial asset at fair value through profit or loss as it was held for trading.
- (ii) The unlisted investment was wealth management products, which were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.
- (iii) The Group's financial assets at fair value through profit or loss represented a life insurance policy to insure an executive director as at 30 June 2021. Under the policy, the Group is the beneficiary and the policy holder. The Group paid upfront premiums for the policy and may surrender the insurance policies any time by making a written request and receive cash based on the surrender value of the policies at the date of withdrawal, which is calculated by the insurer. In the opinion of the directors, the surrender value of the policies provided by the insurance company is the best approximation of its fair value, which is categorised within Level 3 of the fair value hierarchy. The life insurance policy was mandatorily classified as a financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

As at 30 June 2021, the Group's life insurance policies were pledged as security for bank facilities granted to the Group.

In the opinion of the directors, the Group's life insurance policy would not be surrendered within the next 12 months and was therefore classified as non-current assets.

### 12. OTHER NON-CURRENT ASSETS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Other unlisted investments, at amortised cost		
Trust funds	66,702	65,334

Other non-current assets are stand-alone trust funds classified as financial assets at amortised cost as their contractual cash flows are solely payments of principal and interest and they were held for collecting the contractual cash flows. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 30 June 2021, the loss allowance was assessed to be minimal.

## X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

### 13. TRADE RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Tuition receivables	9,715	8,049
Impairment	(3,551)	(2,430)
	6,164	5,619

An ageing analysis of the trade receivables as at the end of the Period, based on the transaction date and net of loss allowance, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within one year	5,171	4,637
One to two years	986	895
Two to three years	7	87
	6,164	5,619

Trade receivables mainly represented amounts due from certain of the Group's college and kindergarten students.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the trade receivables are from the same customer bases. The provision rates of the trade receivables are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflects the historical loss rate, adjusted for forward-looking, reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

### 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Prepayments	7,811	5,132
Deposits	15,940	5,924
Other receivables	38,110	12,821
	61,861	23,877

The above balances are unsecured and non-interest bearing.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

### 15. OTHER PAYABLES AND ACCRUALS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Salary and welfare payables	20,727	24,521
Miscellaneous advances from students*	22,290	29,291
Other tax payables	3,795	4,199
Payables for purchases of property, plant and equipment	683	2,511
Deposits	5,534	2,579
Scholarships	5,595	726
Other payables	23,275	19,444
Remaining consideration payable for acquisition of a subsidiary	–	5,568
	<b>81,899</b>	<b>88,839</b>

\* Balances mainly represented miscellaneous advances received from students for purchasing uniforms and textbooks on their behalf.

The above balances are unsecured and non-interest bearing. The carrying amounts of other payables and accruals as at the end of the Period approximated to their fair values due to their short term maturities.

### 16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
<b>Current</b>			
Short term bank loan – unsecured	(i)	200,298	139,416
Current portion of long term bank loan – secured	(ii)	69,709	510
Current portion of other borrowings – secured	(iii)	39,902	4,000
		<b>309,909</b>	<b>143,926</b>
<b>Non-current</b>			
Long term bank loan – secured	(ii)	573	70,035
Other borrowings – secured	(iii)	102,661	–
		<b>103,234</b>	<b>70,035</b>
		<b>413,143</b>	<b>213,961</b>

## X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

### 16. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	270,008	139,926
In the second year	111	69,512
In the third to fifth years, inclusive	462	523
	<b>270,581</b>	209,961
Other borrowing repayable:		
Within one year or on demand	39,902	4,000
In the second year	52,390	–
In the third to fifth years, inclusive	50,270	–
	<b>142,562</b>	4,000
	<b>413,143</b>	213,961

#### Notes:

As at 30 June 2021, the effective interest rates of the Group's interest-bearing bank loan and other borrowings ranged from 5.3%–12.6% (31 December 2020: 5.3%–12.6%) per annum.

- (i) As at 30 June 2021 and 31 December 2020, a bank borrowing of RMB50,000,000 was guaranteed by Mr. Li Yunong.

As at 30 June 2021, a bank borrowing of RMB13,000,000 was guaranteed by an independent financing guarantee company (31 December 2020: RMB13,000,000).

As at 30 June 2021 and 31 December 2020, a bank borrowing of RMB10,000,000 was guaranteed by Hebei Zerui Education Technology Co., Ltd.\* (河北澤瑞教育科技有限責任公司) ("Zerui Education") and Mr. Li Yunong, with the pledge of the charging rights of eight kindergartens, including Shijiazhuang Qiaoxi District Blue Crystal Saintach Kindergarten\* (石家莊市橋西區新天際藍水晶幼兒園), Zhengding County Saintach Kindergarten\* (正定縣新天際幼兒園), Shijiazhuang Luquan District Fukang Saintach Kindergarten\* (石家莊市鹿泉區新天際福康幼兒園), Shijiazhuang Chang'an District Qinghui Saintach Kindergarten\* (石家莊市長安區新天際清暉幼兒園), Shijiazhuang High-tech Industrial Development Zone Tianshan Saintach Kindergarten\* (石家莊高新技術產業開發區新天際天山幼兒園), Shijiazhuang Chang'an District Jianhua Saintach Kindergarten\* (石家莊市長安區新天際建華幼兒園), Shijiazhuang Qiaoxi District Lidu Saintach Kindergarten\* (石家莊市橋西區新天際麗都幼兒園) and Zhengding County Fumenli Saintach Kindergarten\* (正定縣新天際福門里幼兒園).

As at 30 June 2021, a bank borrowing of HK\$128,952,000 (equivalent to RMB107,298,000) were unsecured (31 December 2020: HK\$114,558,000, equivalent to RMB 96,416,000).

- (ii) As at 30 June 2021, a bank borrowing of RMB682,000 (31 December 2020: RMB745,000) is secured by a director's life insurance policy.

As at 30 June 2021, a bank borrowing of RMB69,600,000 (31 December 2020: RMB69,800,000) was secured by the Group's term deposits amounting to RMB187,000,000.

- (iii) As at 30 June 2021, other borrowing of RMB43,650,000 was guaranteed by Mr. Li Yunong and Zerui Education.

As at 30 June 2021, other borrowing of RMB50,662,500 was guaranteed by Mr. Li Yunong, Sheng Dao Xiang Cheng, and Zerui Education.

As at 30 June 2021, other borrowing of RMB48,250,000 was secured by the charging rights of Shijiazhuang Institute of Technology and guaranteed by Mr. Li Yunong and Sheng Dao Xiang Cheng.

As at 31 December 2020, other borrowing of RMB4,000,000 was secured by the Group's pledged deposits amounting to RMB1,000,000 and guaranteed by Sheng Dao Xiang Cheng and Zerui Education, which has been settled in 2021.

## X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

### 17. CONTRACT LIABILITIES

Details of contract liabilities as at 30 June 2021, 31 December 2020 and 1 January 2020 are as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	1 January 2020 RMB'000 (Audited)
Tuition fees	26,350	90,775	78,253
Boarding fees	1,305	10,637	9,786
Others	4,117	7,083	5,257
Total contract liabilities	31,772	108,495	93,296

Contract liabilities include short-term advances received from students in relation to the proportionate service not yet provided. The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year or each tutorial program. Tuition and boarding fees are recognised proportionately over the relevant period of the respective program.

### 18. SHARE CAPITAL

#### Shares

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Authorised: 3,000,000,000 (31 December 2020: 3,000,000,000) ordinary shares of HK\$0.01 each	25,293	25,293
Issued and fully paid: 1,167,216,000 (31 December 2020: 1,167,216,000)	9,801	9,801

### 19. COMMITMENTS

The Group had the following capital commitments at the end of the Period:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	14,375	87,973
Plant and machinery	924	–
	15,299	87,973

At the end of the Period, the Group did not have any significant commitments.

## X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

### 20. RELATED PARTY TRANSACTIONS AND BALANCES

The directors are of the view that the following individuals/companies are related parties that had material transactions or balances with the Group during both periods.

#### (a) Name and relationship of related parties

Name	Relationship
Mr. Li Yunong	Chairman, one of the controlling shareholders of the Group, and son-in-law of Ms. Luo Xinlan
Ms. Luo Xinlan	One of the controlling shareholders of the Group, and mother-in-law of Mr. Li Yunong
Lionful Investment Holding Co., Ltd. ("Lionful Investment Holding")	A company controlled by the controlling shareholders
河北廿一世紀教育投資有限公司 Hebei Lionful Education Investment Co., Ltd.* ("Lionful Education")	A company controlled by the controlling shareholders
河北安信聯行物業服務有限公司石家莊分公司 Hebei Ansince Property Management Co., Ltd. Shijiazhuang Branch* ("Hebei Ansince Shijiazhuang Branch")	A company controlled by Mr. Li Yunong
寧波天作工程項目管理有限公司 Ningbo Tianzuo Project Management Co., Ltd. ("Ningbo Tianzuo")	A company controlled by Mr. Li Yunong
河北友聯恒美智能工程有限公司 Hebei Youlian Hengmei Intelligent Engineering Co.,Ltd* ("Youlian Hengmei")	A company controlled by Hebei Ansince Shijiazhuang Branch
邯鄲市美家優寶教育諮詢有限公司 Handan Meijia Youbao Education Consulting Co., Ltd.* ("Meijia Youbao")	Associate of a fellow subsidiary

\* The English names of the companies stated above in this note represent the best effort made by the directors to translate the Chinese names as those companies have not been registered with any official English names.

## 20. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

## (b) Outstanding balances with a related party

*Amount advanced to a related party*

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Lionful Education	–	78,750

As at 31 December 2020, the amount advanced to Lionful Education is the prepayment for acquisition of long term assets of student apartments and a land use right.

*Amounts due from related parties*

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Lionful Education	16,427	4,683
Meijia Youbao	500	500
	16,927	5,183

As at 30 June 2021 and 31 December 2020, the amount due from Lionful Education represented a service fee receivable arising from the provision of college operation services.

As at 30 June 2021 and 31 December 2020, the amount due from Meijia Youbao represented a service fee receivable arising from the provision of kindergarten consulting and management services. In the opinion of the directors, the amounts due are trade in nature and would be settled according to the term agreed mutually in the normal course of business.

The Group evaluated the expected loss rate for related parties by considering the default rates and adjusting for forward-looking macroeconomic data. The expected credit losses were considered as insignificant as at the end of the Period.

*Amounts due to related parties*

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Ningbo Tianzuo	198	198
Youlian Hengmei	319	77
	517	275

As at 30 June 2021 and 31 December 2020, the amount due to related parties represented a service fee payable for the construction and repair of certain properties of Shijiazhuang Institute of Technology. In the opinion of the directors, the amounts due are trade in nature and would be settled according to the term agreed in the contract.



## X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

### 20. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

#### (c) Transactions with related parties

##### *Purchases of services or leases of assets from related parties*

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Lionful Education	(i)	1,850	2,750
Hebei Ansince Shijiazhuang Branch	(ii)	79	33
		1,929	2,783

Notes:

- (i) A lease agreement was entered into between the Group and Lionful Education on 4 May 2018, pursuant to which properties owned by Lionful Education that were used as the Group's library, student dormitory, infirmary and a training center were leased at an annual rate of RMB5,500,000. This contract expired in 31 December 2020 and a new lease agreement with annual rate of RMB3,700,000 has been signed in 31 December 2020. The lease agreement was cancellable and, hence, there was no operating lease commitment under this lease agreement as at 30 June 2021 and 31 December 2020.
- (ii) Details of the property leases and property management services from Hebei Ansince Shijiazhuang Branch are set out as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Property management services	79	33

Properties leased from Hebei Ansince Shijiazhuang Branch were used as premises of the Group's kindergartens. Rentals charges and service charges were based on prices mutually agreed between the Group and Hebei Ansince Shijiazhuang Branch.

#### (d) Others

- (1) During both periods, the Group has provided college operation services to Lionful Education in connection with the operation of the West Campus of 石家莊鐵道大學四方學院 (Shijiazhuang Tiedao University Sifang College) ("Sifang College"). Lionful Education has been jointly operating the West Campus of Sifang College with 石家莊鐵道大學 (Shijiazhuang Tiedao University) ("Tiedao University").

Details of the college operation service income received from Lionful Education for each of the period are as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
College operation service income	11,308	10,530

## 20. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

## (d) Others (Continued)

(1) (Continued)

Other than the college operation service stated above, under the relevant agreements, Shijiazhuang Institute of Technology is responsible for providing the accommodation services to the students enrolled by the West Campus of Sifang College. Accommodation service fees are collected directly from the students and are recognised as income for both periods as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Student accommodation service income <sup>^</sup>	1,591	170

<sup>^</sup> included as part of the college operation service income of the Group as disclosed in note 4 to the financial statements.

- (2) During both periods, certain trademarks owned by Lionful Investment Holding were used by the Group free of charge.
- (3) During the periods, the following amount is paid for acquisition of long term assets of student apartments and a land use right from Lionful Education:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Student apartments	69,000	—
Land use right	36,000	—
	105,000	—

## (e) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	671	1,217
Pension scheme contributions	168	143
Equity-settled share option expense	1,380	390
	2,219	1,750

## X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

### 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	43,956	40,893	43,956	40,893
Other non-current assets	66,702	65,334	66,702	65,334
	110,658	106,227	110,658	106,227
<b>Financial liabilities</b>				
Other current liabilities	6,609	5,598	6,609	5,598
Other non-current liabilities	5,340	12,366	5,340	12,366
Interest-bearing bank and other borrowings – non-current	103,234	70,035	103,234	70,035
	115,183	87,999	115,183	87,999

Management has assessed that the fair values of cash and bank balances, term deposits, pledged deposits, trade receivables, financial assets included in prepayments, other receivables, an amount due from/to a related party, other assets, financial liabilities included in other payables and accruals, the interest-bearing borrowing and the current portion of other borrowing approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2021 were assessed to be insignificant.

For the fair value of the unlisted equity investment at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

The Group invests in an unlisted investment, which is a convertible bond through a capital management fund. The Group has estimated the fair value of that unlisted investment by using two valuation models: (a) the binomial tree valuation model, in which the bond portion is discounted with the risk discount rate, which is the sum of the risk-free rate and the credit spread of the issuer, and the equity portion is discounted with the risk-free rate; and (b) the discounted cash flow valuation model, which is based on the market interest rates of instruments with similar terms and risks.

The Group has estimated the fair value of contingent consideration payable for business combination included in other current liabilities and other non-current liabilities by using the discounted cash flow valuation model, which is based on the market interest rates of instruments with similar terms and risks.

## X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

### 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2021 and 31 December 2020:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Discounted cash flow method	Discount rate	6.10%	1% increase/decrease in discount rate would result in decrease/increase in fair value by RMB341,526/RMB332,964
	Binomial tree model	Discount rate	6.70%	1% increase/decrease in discount rate would result in decrease/increase in fair value by RMB98,667/RMB99,672
Financial liabilities at fair value through profit or loss	Discounted cash flow method	Discount rate	6.03%	1% increase/decrease in discount rate would result in decrease/increase in fair value by RMB222,451/RMB228,345

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### As at 30 June 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	8,121	–	35,835	43,956
Consideration payable for business combination included in other non-current liabilities	–	–	11,949	11,949
Interest-bearing bank and other borrowings	–	413,143	–	413,143
	8,121	413,143	47,784	469,048

## X. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

### 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

#### Fair value hierarchy (continued)

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	4,646	–	36,247	40,893
Consideration payable for business combination included in other current liabilities other non-current liabilities	–	–	17,964	17,964
Interest-bearing bank and other borrowings	–	213,961	–	213,961
	4,646	213,961	54,211	272,818

The movements in fair value measurements within Level 3 during the Period are as follows:

	2021 RMB'000	2020 RMB'000
Equity investment at fair value through other comprehensive income:		
At 1 January	–	180
Purchases	–	–
Total losses recognised in other comprehensive income	–	–
At 30 June	–	180

	2021 RMB'000	2020 RMB'000
Financial assets at fair value through profit or loss:		
At 1 January	40,893	37,888
Purchases	–	14,654
Total gains recognised in the consolidated statement of profit or loss and other comprehensive income included in other income	3,535	1,345
Exchange reserve	(472)	758
At 30 June	43,956	54,645

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

## Fair value hierarchy (continued)

	2021 RMB'000	2020 RMB'000
Consideration payable for business combination included in other non-current liabilities:		
At 1 January	17,964	17,332
Satisfied by cash	(6,015)	–
At 30 June	11,949	17,332

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2020: Nil).

## XI. Definitions

“Board”	the board of directors of the Company
“Company”	China 21st Century Education Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 20 September 2016, with its Shares listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Hebei Education Department”	an integral department of the provincial government, which is responsible for the education cause in Hebei Province
“government” or “State”	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
“Group” or “we”	the Company, its subsidiaries and PRC Operating Entities from time to time
“Hangzhou Yimai”	Hangzhou Yimai Enterprise Management Consulting Co., Ltd.* (杭州一脈企業管理諮詢有限責任公司), a limited liability company established under the laws of the PRC on 16 May 2018, as to 70% was controlled by Shijiazhuang Saintach as of the date of this interim report, and one of our PRC Operating Entities
“Hebei Saintach”	Hebei Saintach Education and Technology Co., Ltd.* (河北新天際教育科技有限公司), a limited liability company established under the laws of the PRC on 17 September 2002, one of the Company’s PRC Operating Entities
“Integrated Area”	also known as the Beijing-Tianjin-Hebei integrated area. Its concept was raised according to a national strategic initiative to promote the region’s economic development
“Listing Date”	29 May 2018, being the date of listing of Shares on the Main Board of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Peijian Tutorial School(s)”	Chongqing Peijian Tutorial School Limited* (重慶培尖課外培訓學校有限公司) and Hangzhou Huashi Peijian Tutorial School Limited* (杭州華石培尖培訓學校有限公司), which are the PRC Operating Entities
“PRC” or “China”	the People’s Republic of China
“PRC Operating Entities”	Shijiazhuang Saintach, Hebei Saintach, Shijiazhuang Institute of Technology, Saintach Tutorial Schools and Saintach Kindergartens
“private school(s)”	schools established by social organizations or individuals outside national institutions, using non-state financial capital
“Prospectus”	the prospectus issued by the Company for the initial public offering and listing dated 15 May 2018
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC for the time being

“Saintach Kindergartens”	Shijiazhuang Qiaoxi District Blue Crystal Saintach Kindergarten* (石家莊市橋西區新天際藍水晶幼兒園), Shijiazhuang Luquan District Fukang Saintach Kindergarten* (石家莊市鹿泉區新天際福康幼兒園), Shijiazhuang Chang’an District Jianhua Saintach Kindergarten* (石家莊市長安區新天際建華幼兒園), Shijiazhuang Qiaoxi District Lidu Saintach Kindergarten* (石家莊市橋西區新天際麗都幼兒園), Shijiazhuang Hightech Industrial Development Zone Tianshan Saintach Kindergarten* (石家莊高新技術產業開發區新天際天山幼兒園), Shijiazhuang Chang’an District Qinghui Saintach Kindergarten* (石家莊市長安區新天際清暉幼兒園), Zhengding County Saintach Kindergarten* (正定縣新天際幼兒園) and Zhengding County Fumenli Saintach Kindergarten* (正定縣新天際福門里幼兒園), which are the PRC Operating Entities
“Saintach Tutorial Centers”	tutorial centers being set up in multiple operating locations which are organized by different Saintach Tutorial Schools
“Saintach Tutorial Schools”	Shijiazhuang City Qiaoxi District Bilingual Culture Tutorial School* (石家莊市橋西區雙語文化培訓學校), Shijiazhuang City Chang’an District Saintach Tutorial School* (石家莊市長安區新天際培訓學校), Shijiazhuang Yuhua District Donggang Road Saintach Tutorial School* (石家莊市裕華區東崗路新天際培訓學校), Shijiazhuang City Qiaoxi District Zhicheng Tutorial School* (石家莊市橋西區智城培訓學校), Shijiazhuang City High-tech Zone Saintach Tutorial School* (石家莊市高新區新天際培訓學校) and Shijiazhuang City Xinhua District Huixuan Education Tutorial School* (石家莊市新華區慧軒教育培訓學校), which are the PRC Operating Entities
“school sponsors”	the individual(s) or entity(ies) that funds or holds interests in an educational institution
“school year”	the school year for all our schools, which generally commences on 1 September of each calendar year and ends on 30 June of the next calendar year
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sheng Dao Xiang Cheng”	Sheng Dao Xiang Cheng Education and Technology Co., Ltd.* (河北晟道象成教育科技有限公司), a wholly-foreign owned enterprise established under the laws of PRC on 14 December 2016 and a wholly-owned subsidiary of the Company
“Shijiazhuang Institute of Technology”	Shijiazhuang Institute of Technology* (石家莊理工職業學院), a junior college established under the laws of the PRC on 1 July 2003 of which school sponsors’ interest are wholly-owned by Zerui Education as of the date of this interim report, and one of our PRC Operating Entities
“Shijiazhuang Saintach”	Shijiazhuang Saintach Education and Technology Co., Ltd.* (石家莊新天際教育科技有限公司), a limited liability company established under the laws of the PRC on 13 July 2011, wholly-owned by Zerui Education as of the date of this interim report, and one of our PRC Operating Entities
“Shinedao Tutorial School(s)”	Shaoxing Shangyu Shinedao Education Tutorial School* (紹興市上虞區學鼎教育培訓學校), Zhoushan Dinghai Shinedao Education Tutorial School* (舟山市定海區學鼎教育培訓學校), Yuyao Xueneng Tutorial School Limited* (余姚學能培訓學校有限公司), Yuyao Xuedao Education Tutorial School Limited* (余姚學道教育培訓學校有限公司) and Jiashan County Shinedao Education Tutorial School Limited* (嘉善縣學鼎培訓學校有限公司), which are the PRC Operating Entities



## XI. Definitions

“Sifang College”	Sifang College of Shijiazhuang Tiedao University* (石家莊鐵道大學四方學院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tutoring Hour(s)”	the unit for measuring tutoring time delivered to students, typically representing a duration of 60 minutes for secondary school students and 40 minutes for primary school students
“Zerui Education”	Hebei Zerui Education Technology Co., Ltd.* (河北澤瑞教育科技有限責任公司), a limited liability company established under the laws of the PRC on 12 July 2017, which was owned as to 80.625% by Mr. Li Yunong and 19.375% by Ms. Luo Xinlan as of the date of this interim report, and one of our PRC Operating Entities
“Zhejiang Peijian”	Zhejiang Peijian Technology Co., Ltd.* (浙江培尖科技有限公司), a limited liability company established under the laws of the PRC on 29 December 2017 and controlled by Zerui Education as to 51% as of the date of this interim report, and one of our PRC Operating Entities
“%”	per cent.

**Certain amounts and percentage figures included herein have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.**

**If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations marked with “\*”, the Chinese names shall prevail.**